



# WORLD NEWS

YEN BOUNCES UP SHARPLY LUCRATIVE PLAY ON THE INTEREST RATE GAP HALTED BY WORLD FINANCIAL TURMOIL

## Dollar's rise may be at an end

By Richard Waters and John Labate in New York

When the US and Japan stepped into the foreign exchange markets to prop up a plunging yen earlier this summer, it was widely viewed as a measure that would work only if Japan took the necessary steps to break out of its economic malaise.

Two months later, Japan is still beset by a policy vacuum and the economy remains in a slump. However, that has not stopped the yen from staging a remarkable recovery.

A dollar would have bought less than 134 yen yesterday, compared with 146 just three weeks ago – the Japanese currency's stron-

gest showing on the foreign exchanges since May, and the most pronounced bounce since the yen started its slide more than three years ago.

The sharpness of the reversal against the yen largely reflects short-term fallout from the shock that has reverberated around the world's financial system, according to currency analysts and traders. That would suggest that the dollar's decline may be short-lived, and that it could bounce again once calm returns.

However, the greenback's slide against the yen has been accompanied over the past week by a marked softening against the D-Mark and other European currencies.

Rather than just a technical setback, the currency market is now signalling its belief that the long-term appreciation of the dollar may be coming to an end.

The short-term technical factors behind the currency gyrations stem largely from the large gap between US and Japanese interest rates.

For three years, speculators have played that spread by borrowing cheaply in yen, then using the money to buy US stocks and bonds. The low Japanese borrowing costs, rising US financial asset prices and steadily weakening yen were a potent combination.

The crisis in the international financial system has interrupted this lucrative game. Many of these risky

bets have been reversed – either because cash-strapped speculators needed to raise money to cover losses suffered elsewhere, or because the fear that has returned to the markets has encouraged hedge funds and others to back away from their most risky positions.

The slide in the US stock market has contributed to the reversal of these dollar-yen positions, accelerating the dollar's fall, says Kevin Flanagan, money market economist at Morgan Stanley Dean Witter.

The decline may have been accentuated by timing. Japanese institutions typically halt their buying of foreign bonds during March and September, when they draw up their half-year

accounts, according to analysts at J.P. Morgan. On top of that, many may sell US Treasury bonds to help cover losses at home before the end of the month.

While these factors are largely technical, however, the US financial markets have been signalling their belief that fundamental forces may also be at work in the dollar's decline.

There has been a growing conviction on the part of international investors that US economic growth is slowing substantially," says John Lipsky, chief economist at Chase Manhattan. Short-term US interest rates have fallen below the official interest rate set by the Federal Reserve – a clear sign that the markets expect the

Fed to cut rates before the end of the year to reignite economic growth. Lower interest rates and a slowing economy would both stem the demand for the dollar.

Even if the Fed eventually does not necessarily follow that the dollar has to fall. With Japan still a long way from fixing its financial system, the yen is likely to stay under pressure.

## Clinton plans drive for new IMF funds

By Stephen Fidler in Dublin

President Bill Clinton plans to return to Washington from Ireland this weekend and launch a renewed effort to secure additional funding for the International Monetary Fund. White House officials said yesterday.

The push will begin today with the president's weekly radio address, aides said.

This will concentrate on the health of the US economy and raise the importance of the world economy to the continued well-being of Americans. In this context, the president will argue that new funding for the IMF – now awaiting approval by the House of Representatives – is an important element in securing global economic stability.

The importance of the IMF has been further emphasised this week during the president's visit to Moscow, where the intense financial and economic crisis has sent shockwaves through other "emerging" markets, such as Latin America, and even influencing the sharp drop in Wall Street over the past week.

James Steinberg, deputy national security adviser, said that IMF funding would be "an important priority" when the president returned home. "I think nothing can make a stronger case than the events of recent days about the importance of having the resources to deal with these situations to give confidence to the international community."

The US administration is proposing a capital increase totalling \$16bn for the Fund, which if agreed will trigger capital injections from other IMF members. This week the proposal passed overwhelmingly through the Senate by a vote of 90 to three. However, the House of Representatives is much more problematic.

The leader of the majority Republicans in the House, Dick Armey, is a long-time critic of the IMF and has strongly argued against the funding. The Speaker of the House, Newt Gingrich, has been more favourable to the proposal. But, in a letter to Robert Rubin, US Treasury secretary, this week, he asked for an explanation why Russia's financial crisis worsened even after a \$26bn IMF-led support package agreed on July 20.

He said in the letter that the IMF role in Russia "raises crucial questions that need to be fully and satisfactorily answered before any American taxpayers' dollars are committed to the IMF".

The House is expected to vote on the issue before the end of the current congressional session scheduled for October 9, but no date has been indicated. It is expected to be a period of intense activity for decisions relating to appropriations.

The IMF is estimated to have about \$10bn in available resources and a further \$16bn available under the more cumbersome General Arrangements to Borrow.

Yet behind the calculated ambiguity, some observers believe it is already possible

## Chernomyrdin offers all things to all men

Chrystia Freeland  
reports on the political goals of a master of obfuscation



Victor Chernomyrdin with Igor Sergeyev, acting defence minister, in parliament yesterday  
Reuters

to detect the outlines of the economic policy that Mr Chernomyrdin will pursue if he is endorsed by parliament.

The tentative economic consensus seeming to emerge within the politically fragile Russian government and the domestic business community is itself paradoxical.

The basic idea appears to be that the government should first release an avalanche of soft credits, sweeping away the web of inter-enterprise debt and wage arrears which is paralysing the economy, but also bringing high inflation.

Then, after inflation has swept through the economy for a few weeks or months, the government would impose a still vaguely defined radical financial stabilisation programme, potentially going so far as to appoint a currency board.

"My guess is that he [Chernomyrdin] is going to opt for running the printing presses until the end of the year," Rory MacFarquhar, an economist at the Russian European Centre for Economic Policy, predicted. "He will sort out arrears, bail out the banking system, and so forth. And then I think the idea is that starting January 1 there will be a bright capitalist future, maybe including some sort of currency board arrangement."

Leading Russian businessmen agree that the country is probably doomed to a period of high inflation before it will be able to muster the political will for another painful attempt to stabilise the economy.

"What we need now is shock therapy for the political class," argued Konstantin Kapalov, first vice chairman of Menatep Bank and a former Russian director of the International Monetary Fund. "The role of the current government – no matter who is in it – will be

to lead the country into a crisis, to lead it into inflation. The society will be able to move out of the crisis only once it becomes really severe."

Of course, for the ordinary Russians who are already forming desperate queues outside banks trying to withdraw their savings and cashing in goods off the shelves, a frenzy of panic buying, this emerging economic strategy offers little immediate consolation. Soft credits may temporarily allow workers to receive months of unpaid wages, but they will only add to the inflation which, last month, was already racing ahead at a brisk rate of 15 per cent.

The bigger problem is that, even if the government has the best of intentions when it releases the genie of inflation, there is no guarantee that later on it will manage to force it back in to the bottle.

"What we need now is shock therapy for the political class," argued Konstantin Kapalov, first vice chairman of Menatep Bank and a former Russian director of the International Monetary Fund. "The role of the current government – no matter who is in it – will be

to lead the country into a crisis, to lead it into inflation. The society will be able to move out of the crisis only once it becomes really severe."

Of course, for the ordinary Russians who are already

forming desperate queues outside banks trying to withdraw their savings and cashing in goods off the shelves, a frenzy of panic buying, this emerging economic strategy offers little immediate consolation. Soft credits may temporarily allow workers to receive months of unpaid wages, but they will only add to the inflation which, last month, was already racing ahead at a brisk rate of 15 per cent.

The bigger problem is that, even if the government has the best of intentions when it releases the genie of inflation, there is no guarantee that later on it will manage to force it back in to the bottle.

"What we need now is shock therapy for the political class," argued Konstantin Kapalov, first vice chairman of Menatep Bank and a former Russian director of the International Monetary Fund. "The role of the current government – no matter who is in it – will be

to lead the country into a crisis, to lead it into inflation. The society will be able to move out of the crisis only once it becomes really severe."

Of course, for the ordinary Russians who are already

forming desperate queues outside banks trying to withdraw their savings and cashing in goods off the shelves, a frenzy of panic buying, this emerging economic strategy offers little immediate consolation. Soft credits may temporarily allow workers to receive months of unpaid wages, but they will only add to the inflation which, last month, was already racing ahead at a brisk rate of 15 per cent.

The bigger problem is that, even if the government has the best of intentions when it releases the genie of inflation, there is no guarantee that later on it will manage to force it back in to the bottle.

"What we need now is shock therapy for the political class," argued Konstantin Kapalov, first vice chairman of Menatep Bank and a former Russian director of the International Monetary Fund. "The role of the current government – no matter who is in it – will be

to lead the country into a crisis, to lead it into inflation. The society will be able to move out of the crisis only once it becomes really severe."

Of course, for the ordinary Russians who are already

forming desperate queues outside banks trying to withdraw their savings and cashing in goods off the shelves, a frenzy of panic buying, this emerging economic strategy offers little immediate consolation. Soft credits may temporarily allow workers to receive months of unpaid wages, but they will only add to the inflation which, last month, was already racing ahead at a brisk rate of 15 per cent.

The bigger problem is that, even if the government has the best of intentions when it releases the genie of inflation, there is no guarantee that later on it will manage to force it back in to the bottle.

"What we need now is shock therapy for the political class," argued Konstantin Kapalov, first vice chairman of Menatep Bank and a former Russian director of the International Monetary Fund. "The role of the current government – no matter who is in it – will be

to lead the country into a crisis, to lead it into inflation. The society will be able to move out of the crisis only once it becomes really severe."

Of course, for the ordinary Russians who are already

forming desperate queues outside banks trying to withdraw their savings and cashing in goods off the shelves, a frenzy of panic buying, this emerging economic strategy offers little immediate consolation. Soft credits may temporarily allow workers to receive months of unpaid wages, but they will only add to the inflation which, last month, was already racing ahead at a brisk rate of 15 per cent.

The bigger problem is that, even if the government has the best of intentions when it releases the genie of inflation, there is no guarantee that later on it will manage to force it back in to the bottle.

"What we need now is shock therapy for the political class," argued Konstantin Kapalov, first vice chairman of Menatep Bank and a former Russian director of the International Monetary Fund. "The role of the current government – no matter who is in it – will be

to lead the country into a crisis, to lead it into inflation. The society will be able to move out of the crisis only once it becomes really severe."

Of course, for the ordinary Russians who are already

forming desperate queues outside banks trying to withdraw their savings and cashing in goods off the shelves, a frenzy of panic buying, this emerging economic strategy offers little immediate consolation. Soft credits may temporarily allow workers to receive months of unpaid wages, but they will only add to the inflation which, last month, was already racing ahead at a brisk rate of 15 per cent.

The bigger problem is that, even if the government has the best of intentions when it releases the genie of inflation, there is no guarantee that later on it will manage to force it back in to the bottle.

"What we need now is shock therapy for the political class," argued Konstantin Kapalov, first vice chairman of Menatep Bank and a former Russian director of the International Monetary Fund. "The role of the current government – no matter who is in it – will be

to lead the country into a crisis, to lead it into inflation. The society will be able to move out of the crisis only once it becomes really severe."

Of course, for the ordinary Russians who are already

forming desperate queues outside banks trying to withdraw their savings and cashing in goods off the shelves, a frenzy of panic buying, this emerging economic strategy offers little immediate consolation. Soft credits may temporarily allow workers to receive months of unpaid wages, but they will only add to the inflation which, last month, was already racing ahead at a brisk rate of 15 per cent.

The bigger problem is that, even if the government has the best of intentions when it releases the genie of inflation, there is no guarantee that later on it will manage to force it back in to the bottle.

"What we need now is shock therapy for the political class," argued Konstantin Kapalov, first vice chairman of Menatep Bank and a former Russian director of the International Monetary Fund. "The role of the current government – no matter who is in it – will be

to lead the country into a crisis, to lead it into inflation. The society will be able to move out of the crisis only once it becomes really severe."

Of course, for the ordinary Russians who are already

forming desperate queues outside banks trying to withdraw their savings and cashing in goods off the shelves, a frenzy of panic buying, this emerging economic strategy offers little immediate consolation. Soft credits may temporarily allow workers to receive months of unpaid wages, but they will only add to the inflation which, last month, was already racing ahead at a brisk rate of 15 per cent.

The bigger problem is that, even if the government has the best of intentions when it releases the genie of inflation, there is no guarantee that later on it will manage to force it back in to the bottle.

"What we need now is shock therapy for the political class," argued Konstantin Kapalov, first vice chairman of Menatep Bank and a former Russian director of the International Monetary Fund. "The role of the current government – no matter who is in it – will be

to lead the country into a crisis, to lead it into inflation. The society will be able to move out of the crisis only once it becomes really severe."

Of course, for the ordinary Russians who are already

forming desperate queues outside banks trying to withdraw their savings and cashing in goods off the shelves, a frenzy of panic buying, this emerging economic strategy offers little immediate consolation. Soft credits may temporarily allow workers to receive months of unpaid wages, but they will only add to the inflation which, last month, was already racing ahead at a brisk rate of 15 per cent.

The bigger problem is that, even if the government has the best of intentions when it releases the genie of inflation, there is no guarantee that later on it will manage to force it back in to the bottle.

"What we need now is shock therapy for the political class," argued Konstantin Kapalov, first vice chairman of Menatep Bank and a former Russian director of the International Monetary Fund. "The role of the current government – no matter who is in it – will be

to lead the country into a crisis, to lead it into inflation. The society will be able to move out of the crisis only once it becomes really severe."

Of course, for the ordinary Russians who are already

forming desperate queues outside banks trying to withdraw their savings and cashing in goods off the shelves, a frenzy of panic buying, this emerging economic strategy offers little immediate consolation. Soft credits may temporarily allow workers to receive months of unpaid wages, but they will only add to the inflation which, last month, was already racing ahead at a brisk rate of 15 per cent.

The bigger problem is that, even if the government has the best of intentions when it releases the genie of inflation, there is no guarantee that later on it will manage to force it back in to the bottle.

"What we need now is shock therapy for the political class," argued Konstantin Kapalov, first vice chairman of Menatep Bank and a former Russian director of the International Monetary Fund. "The role of the current government – no matter who is in it – will be

to lead the country into a crisis, to lead it into inflation. The society will be able to move out of the crisis only once it becomes really severe."

Of course, for the ordinary Russians who are already

forming desperate queues outside banks trying to withdraw their savings and cashing in goods off the shelves, a frenzy of panic buying, this emerging economic strategy offers little immediate consolation. Soft credits may temporarily allow workers to receive months of unpaid wages, but they will only add to the inflation which, last month, was already racing ahead at a brisk rate of 15 per cent.

The bigger problem is that, even if the government has the best of intentions when it releases the genie of inflation, there is no guarantee that later on it will manage to force it back in to the bottle.

"What we need now is shock therapy for the political class," argued Konstantin Kapalov, first vice chairman of Menatep Bank and a former Russian director of the International Monetary Fund. "The role of the current government – no matter who is in it – will be

to lead the country into a crisis, to lead it into inflation. The society will be able to move out of the crisis only once it becomes really severe."

Of course, for the ordinary Russians who are already

forming desperate queues outside banks trying to withdraw their savings and cashing in goods off the shelves, a frenzy of panic buying, this emerging economic strategy offers little immediate consolation. Soft credits may temporarily allow workers to receive months of unpaid wages, but they will only add to the inflation which, last month, was already racing ahead at a brisk rate of 15 per cent.

The bigger problem is that, even if the government has the best of intentions when it releases the genie of inflation, there is no guarantee that later on it will manage to force it back in to the bottle.

"What we need now is shock therapy for the political class," argued Konstantin Kapalov, first vice chairman of Menatep Bank and a former Russian director of the International Monetary Fund. "The role of the current government – no matter who is in it – will be



## INTERNATIONAL

## Parts shortfall forces 10% cut in Iraq oil deals

By Laura Silber  
at the United Nations  
in New York

Iraq is to cut oil contracts by 10 per cent because of delays in receiving spare parts to shore up its oil industry, Benan Sevan, chief of the United Nations oil-for-food programme, said yesterday.

In a briefing to the Security Council, Mr Sevan urged the UN sanctions committee, comprised of 15 Council members, to stop dragging its feet in approving \$300m for spare parts.

But Bill Richardson, US ambassador to the UN, told

reporters that Washington would continue to block all contracts it considered "frivolous".

The US has been slow to approve contracts for equipment it claims could be used for purposes other than oil industry repairs.

In remarks to the Council on the current phase of the UN humanitarian programme, which runs from May 20 to November 25, Mr Sevan said the Dutch Saybolt consulting company hired by the UN to monitor the export of oil, had informed him of Iraq's decision to reduce oil contracts.

"Although Iraq has increased its production of oil through the first months of the current phase, the oil overseers have advised that Iraq is informing its custom-

ers that contracts for the sale of oil during the second half of the current phase will have to be reduced by an average of 10 per cent," he told the Council, adding that the reason was "the

lack of oil spare parts". Under an enhanced UN "oil-for-food" plan, aimed at easing the plight of the Iraqi population hard hit by eight years of sanctions, the Secu-

ritary Council last February more than doubled the amount of oil Iraq can export to \$5.5bn every six months in exchange for food and medicine.

But Mr Sevan said the new distribution plan could not be fully implemented unless Iraq was provided with the capacity to enhance its production and to enhance its capacity to export oil.

said: "The problem with the oil-for-food programme has not changed."

"Iraq refuses to manage the programme efficiently, refuses to co-operate... continues to use the humanitarian issue as a political weapon."

The US and Britain support the humanitarian programme because it lessens the pressure to lift sanctions.

Washington recently has made clear that sanctions will remain in place indefinitely until Iraq cooperates with the UN mission to dismantle its arsenal of proscribed weapons.

With oil prices low, Iraq's oil revenues will fall far short of the \$5.5bn of oil it can sell. Earlier this week Mr Sevan put the amount at \$2.85bn.

Under the enhanced distribution plan, Mr Sevan said that the UN had managed to increase the daily per capita calorie intake of the Iraqi population to 2,000 per day.

This falls short of the target amount of 2,300 but it represents a significant increase from 1,400 calories per day reported before the oil-for-food programme deliveries began some 13 months ago.

## Israelis who have power over time

By Judy Dempsey in Jerusalem

Chaim Karmon has always voted for Israel's rightwing Likud party.

But not for much longer, says Chaim, a tour guide, unless Benjamin Netanyahu, the prime minister, stops giving in to the religious parties who hold the balance of power in the coalition. And who hold the power over time.

What started Chaim thinking about politics was daylight.

From midnight tonight clocks will go back one hour, ending summer time in Israel.

**'The thing that really upsets me is that time is being set by the religious parties'**

Chaim will not be able to show tourists around after 5pm, even though the evenings are still warm and sunny. He also worries about his children playing in the streets.

"But the thing that really upsets me," said Chaim, "is that time is being set by the religious parties."

The interior ministry decides when clocks should be changed.

And since Eli Suissa, the minister, is a member of Shas, the ultra-Orthodox party of Sephardic or Oriental and north African Jews, time has assumed a political, in addition to its religious, significance.

Three years ago, when the Labour party was in power, it wrested the interior ministry from the religious parties, traditionally their fiefdom.

The ministry has wide powers, including the right to decide who can be registered as a Jew, which marriages are considered Jewish and who has the right of residence.

Labour pushed through an agreement to have summer time extended until mid-October.

But when Mr Netanyahu was elected in 1996, he gave the interior ministry back to Shas, the most powerful party in the coalition.

The parliamentary interior and environmental committee, dominated by the coalition, later backed Mr Suissa's plan to turn the clocks back six weeks earlier, soon after the beginning of September.

Mr Suissa's colleagues say that the ministry is simply taking into account the

interests of religious Sephardim.

Unlike the ultra-Orthodox Ashkenazim, Jews of European descent, several weeks before the Jewish New Year, which this year falls on September 21-22, the Sephardim rise very early to recite Shiloh, the penitential prayers before Yom Kippur, the Day of Atonement.

The extra hour and earlier daylight will make it easier for them.

"But those who pray at this time are a small minority," said Avraham Poraz, member of Meretz, the left-wing opposition party, and who spearheaded Labour's original daylight plan. "Netanyahu doesn't care about the majority. He needs Shas to stay in power."

But it is not just how the question of time has been turned into a political issue which increasingly worries the opposition and even Likud members. They resent the growing influence of the religious parties at the expense of the secular community.

Two weeks ago the parliamentary finance committee allocated Shek50m (\$11.1m) to the National Religious party which represents the settlers, for "Zionist and cultural activities"; another Shek50m to the Yeshivot, the ultra-Orthodox religious schools; and Shek50m to settle infrastructure in the West Bank.

"Of course we tried to block it," said Avraham Shochat, a former finance minister under Labour.

"But what could we do? The finance committee is

**'Is this why I voted Likud? To be governed by the religious parties?'**

controlled by the coalition."

And last Wednesday, the finance committee increased the budget of the religious council - which are supposed to provide religious services to the local community - by 12 per cent to Shek450m, even though Yaakov Neeman, the finance minister, believes there are too many religious councils.

The spending spree of the religious parties coincides with plans by the finance ministry to cut expenditure in next year's budget by Shek2.5bn.

"And I bet the religious parties will not lose one shekel," said Chaim. "Is this why I voted Likud? To be governed by the religious?"

## Stoiber goes on the offensive over economic success in Bavaria as crucial elections near

## X German elections

By Ralph Atkins

It may be a grill party but for Edmund Stoiber, Bavaria's premier, is not taking it easy.

He turns the Bratwurst so forcefully that two fall on the ground; the rest lie in an untidy heap.

In spite of the homely occasion - a family, lakeside election social with beer, sausages and bouncy castles in mid-Franconia - Mr Stoiber is in full animation.

The grill party left to die

It may be a grill party but for Edmund Stoiber, Bavaria's premier, is not taking it easy.

Defending an absolute majority in a German state parliament is serious work.

A week tomorrow, Mr Stoiber's Rightwing Christian Social Union (CSU) hopes to

win more than 50 per cent of the vote for the eighth Bavarian election in a row.

Mr Stoiber is forsaking alcohol during the campaign - at night: at stake is not just the future of the geographically vast, affluent southern German state.

With 50 per cent plus - a goal that opinion polls suggest is not out of Mr Stoiber's reach - the CSU could just revive the chances of Chancellor Helmut Kohl in September's 27 federal elections. The CSU is a political ally of Mr Kohl's Christian Democratic Union (CDU).

Everyone is watching Bavaria," says the tall, white-haired Mr Stoiber, 56, as his audience squeezes around the 40-odd beer tables. "We want to stay

in the champions' league."

Best known outside Bavaria for his scepticism towards the new European single currency, the euro, Mr Stoiber is running a campaign based largely on Bavaria's economic success under his five-year premiership.

The state, Mr Stoiber boasts, has the lowest unemployment and debt-per-capita rates in Germany. Privatisation proceeds have been invested in venture capital, universities and culture; Bavaria's traditional agricultural orientation has been turned towards modern industries.

The grill party left to die

It may be a grill party but for Edmund Stoiber, Bavaria's premier, is not taking it easy.

Defending an absolute

majority in a German state parliament is serious work.

A week tomorrow, Mr Stoiber's

Rightwing Christian Social Union (CSU) hopes to

win more than 50 per cent of the vote for the eighth Bavarian election in a row.

Mr Stoiber is forsaking

alcohol during the campaign - at night: at stake is not just the future of the geographically vast, affluent southern German state.

With 50 per cent plus - a goal that opinion polls suggest is not out of Mr Stoiber's reach - the CSU could just revive the chances of Chancellor Helmut Kohl in September's 27 federal elections. The CSU is a political ally of Mr Kohl's Christian Democratic Union (CDU).

Everyone is watching Bavaria," says the tall, white-haired Mr Stoiber, 56, as his audience squeezes around the 40-odd beer tables. "We want to stay

in the champions' league."

Best known outside Bavaria for his scepticism

towards the new European single currency, the euro, Mr Stoiber is running a campaign based largely on Bavaria's economic success under his five-year premiership.

The state, Mr Stoiber boasts, has the lowest unemployment and debt-per-capita rates in Germany. Privatisation

proceeds have been invested in venture capital, universities and culture; Bavaria's traditional agricultural orientation has been turned towards modern industries.

The grill party left to die

It may be a grill party but for Edmund Stoiber, Bavaria's premier, is not taking it easy.

Defending an absolute

majority in a German state parliament is serious work.

A week tomorrow, Mr Stoiber's

Rightwing Christian Social Union (CSU) hopes to

win more than 50 per cent of the vote for the eighth Bavarian election in a row.

Mr Stoiber is forsaking

alcohol during the campaign - at night: at stake is not just the future of the geographically vast, affluent southern German state.

With 50 per cent plus - a goal that opinion polls suggest is not out of Mr Stoiber's reach - the CSU could just revive the chances of Chancellor Helmut Kohl in September's 27 federal elections. The CSU is a political ally of Mr Kohl's Christian Democratic Union (CDU).

Everyone is watching Bavaria," says the tall, white-haired Mr Stoiber, 56, as his audience squeezes around the 40-odd beer tables. "We want to stay

in the champions' league."

Best known outside Bavaria for his scepticism

towards the new European single currency, the euro, Mr Stoiber is running a campaign based largely on Bavaria's economic success under his five-year premiership.

The state, Mr Stoiber boasts, has the lowest unemployment and debt-per-capita rates in Germany. Privatisation

proceeds have been invested in venture capital, universities and culture; Bavaria's traditional agricultural orientation has been turned towards modern industries.

The grill party left to die

It may be a grill party but for Edmund Stoiber, Bavaria's premier, is not taking it easy.

Defending an absolute

majority in a German state parliament is serious work.

A week tomorrow, Mr Stoiber's

Rightwing Christian Social Union (CSU) hopes to

win more than 50 per cent of the vote for the eighth Bavarian election in a row.

Mr Stoiber is forsaking

alcohol during the campaign - at night: at stake is not just the future of the geographically vast, affluent southern German state.

With 50 per cent plus - a goal that opinion polls suggest is not out of Mr Stoiber's reach - the CSU could just revive the chances of Chancellor Helmut Kohl in September's 27 federal elections. The CSU is a political ally of Mr Kohl's Christian Democratic Union (CDU).

Everyone is watching Bavaria," says the tall, white-haired Mr Stoiber, 56, as his audience squeezes around the 40-odd beer tables. "We want to stay

in the champions' league."

Best known outside Bavaria for his scepticism

towards the new European single currency, the euro, Mr Stoiber is running a campaign based largely on Bavaria's economic success under his five-year premiership.

The state, Mr Stoiber boasts, has the lowest unemployment and debt-per-capita rates in Germany. Privatisation

proceeds have been invested in venture capital, universities and culture; Bavaria's traditional agricultural orientation has been turned towards modern industries.

The grill party left to die

It may be a grill party but for Edmund Stoiber, Bavaria's premier, is not taking it easy.

Defending an absolute

majority in a German state parliament is serious work.

A week tomorrow, Mr Stoiber's

Rightwing Christian Social Union (CSU) hopes to

win more than 50 per cent of the vote for the eighth Bavarian election in a row.

Mr Stoiber is forsaking

alcohol during the campaign - at night: at stake is not just the future of the geographically vast, affluent southern German state.

With 50 per cent plus - a goal that opinion polls suggest is not out of Mr Stoiber's reach - the CSU could just revive the chances of Chancellor Helmut Kohl in September's 27 federal elections. The CSU is a political ally of Mr Kohl's Christian Democratic Union (CDU).

Everyone is watching Bavaria," says the tall, white-haired Mr Stoiber, 56, as his audience squeezes around the 40-odd beer tables. "We want to stay

in the champions' league."

Best known outside Bavaria for his scepticism

towards the new European single currency, the euro, Mr Stoiber is running a campaign based largely on Bavaria's economic success under his five-year premiership.

The state, Mr Stoiber boasts, has the lowest unemployment and debt-per-capita rates in Germany. Privatisation

proceeds have been invested in venture capital, universities and culture; Bavaria's traditional agricultural orientation has been turned towards modern industries.

The grill party left to die

It may be a grill party but for Edmund Stoiber, Bavaria's premier, is not taking it easy.

Defending an absolute

majority in a German state parliament is serious work.

A week tomorrow, Mr Stoiber's

il deals EU plan for guid to car emission

economic ons near

## BRITAIN

FUJITSU JAPANESE CHIPMAKER CONFIRMS CLOSURE OF NORTH-EAST ENGLAND FACTORY AND SAYS ASIAN CRISIS AGGRAVATED PROBLEMS

## Plant closure blamed on overcapacity

By David Wighton in London and Sheila Jones in Manchester

Fujitsu, the Japanese electronics company, yesterday blamed global overcapacity in the memory microchip market for its decision to end semiconductor production in the north-east of England with the loss of 370 jobs.

The announcement comes only four weeks after Siemens of Germany said it was ending microchip production in the region and laying off 1,100 staff unless a buyer could be found for its plant.

Fujitsu, which was allocated £30m (£49m) in government aid for the plant, yesterday dismissed suggestions the decision was because of UK economic conditions.

Conflicting views emerged in the region about the future of inward investment, following the loss of nearly 3,000 jobs at US and Japanese companies in the past month.

Trade unionists yesterday demanded a shift in strategy to help more indigenous companies. But local regeneration agencies said the drive for foreign investment had to go on.

David Bowles, operations director at the Northern

## Investors from the Far East



Development Company, said the growth and development of indigenous companies was "inextricably linked" to the development of companies such as Nissan, the Japanese car maker, which employs more than 4,000 in the north-east directly and many more in supply industries.

"Inward investment has created 80,000 jobs in the region in the past 10 years and another 160,000 in the supply chain. To deny that is the right strategy is to deny people jobs," Mr Bowles said. The closures announced by Siemens and Fujitsu related specifically to problems in

the global semiconductor market rather than to problems in the region. He added that the knock-on effects were limited because the two microchip makers used few local suppliers. "The real problem is the workforce. We now have 1,700 people highly trained in semicon-

ductor manufacture,

although we hope that we can make it a business opportunity."

The NDC, with other agencies, would look for buyers for both the Siemens and Fujitsu factories, which produce DRAM memory chips, mainly for the computer industry. The global DRAM market has been the worst hit by overcapacity. The two factories could be converted for the production of logic chips used in telecommunications, Mr Bowles said.

The Asian financial crisis has aggravated problems for the two microchip makers, which argue that Korean companies have further undermined prices by dumping chips on the market. Job cuts and investment delays have been announced at companies across the UK.

Nissan - and Samsung, which employs 1,300 in the region - said yesterday they remained committed to the north-east. Samsung said that despite the postponement of expansion, its operations "remain an important and active part of Samsung's global manufacturing capacity".

Nissan is expanding. It is already the north-east's biggest manufacturing

employer since it opened in Sunderland in 1984.

"Our roots here are very deep indeed," said John Cushegan, deputy managing director. "We have invested £1.5bn and will be adding £200m to that. The sheer scale of our operations here and the fact we are expanding says it all. Every economy needs a balance of inward investment and indigenous growth. The regions benefit enormously not just through jobs, but also in terms of technology and best practice."

Bob Howard, regional secretary of the Trades Union Congress, yesterday urged a shift in strategy towards indigenous industries. "The reality is that regional funding regimes in the past have been geared towards inward investment and the emphasis has to change."

There was "very little real support at national strategic level for indigenous companies". Inward investment projects had to be considered on their particular merits, he added. "The microchip industry has particular problems but we are probably too heavily dependent on our flagship investors."

See Page 24

## NEWS DIGEST

## LOCAL GOVERNMENT

## Planning powers for London mayor 'would threaten City'

London's attractiveness as an international financial centre would be threatened by proposals to give London's mayor power to intervene in planning decisions. City officials have warned. Elections for the new post of London mayor will be held in 2000: the current Lord Mayor has a purely ceremonial role. The Corporation of London, the City's municipal authority, estimates a quarter of all planning applications in the City would revert to the mayor, significantly delaying the planning process. In a paper to be presented to the corporation's planning committee next week, officials say: "Such delay and uncertainty would be detrimental to the City as a leading international financial and business centre and to the whole of London as a world city."

The corporation concedes that there is a strong argument for giving the mayor the final say over big, strategic developments. "What we are concerned about is the definition of strategic," said the corporation. Under government proposals put out for consultation, the mayor would intervene in schemes involving buildings higher than 50m or with more than 20,000 sq m of floor space. That definition would cover 15 out of the 58 planning consents the corporation granted last year. David Wighton, London

## POWER LIBERALISATION

## Minister urges vigilance

Electricity companies need to be vigilant to ensure customers are not subject to sales abuses when domestic power markets open to competition later this month, John Battle, energy minister, said yesterday. Sales representatives should provide written price comparisons with existing regional suppliers and identify the helpline telephone number of the independent industry regulator, said the minister. Mr Battle is concerned that consumers should not be subjected to the same kind of aggressive marketing and mis-selling that initially marred the introduction of competition in domestic gas markets. The minister yesterday launched the "countdown" to the start of competition in domestic power markets on September 14, when 750,000 domestic customers will have the option of moving to a new supplier. Andrew Taylor, London

## BRITISH AIRWAYS

## 'Air rage' woman jailed

A woman who fought with cabin crew on a British Airways flight was jailed for 15 months today. The airline said it was pleased with the outcome of the hearing into one of a growing number of "air rage" cases. Elizabeth Elliott, 24, was refused entry to the US, became drunk on the return flight, attacked cabin crew and caused mayhem, a London court was told. Ms Elliott, from Ealing, west London, had earlier admitted a charge of endangering an aircraft and its passengers and two assaults causing actual bodily harm to cabin crew. BA said later: "We are pleased with the outcome of the hearing. We have always maintained the view that there can never be any excuse or justification for violent attacks on cabin crew - the very people who have responsibility for safety on board."

## NATIONAL LOTTERY

## New guidelines for regulator

The Camelot consortium faces "unlimited fines" for any future breach of its licence to run the National Lottery from today. Chris Smith, chief culture minister, has issued a new set of guidelines to the director-general of Ofcom, the regulator, in an attempt to make the lottery a success and to ensure a maximum amount of money goes to good causes. Financial penalties, subject to appeal, can now be imposed if the operator fails to meet the requirements of the licence to run the lottery. The guidelines coincide with new powers in the National Lottery Act. Mr Smith said yesterday: "These new measures will strengthen the power of the director-general and in due course the Lottery Commission, to ensure that our National Lottery continues to operate to the highest possible standards of propriety."

## CROHN'S DISEASE

## FDA 'fast track' for new drug

Sufferers from the chronic bowel disorder known as Crohn's disease could soon benefit from a cure invented in Britain. Preliminary trials of a new drug discovered by a Berkshire, southern England, biotechnology company have proved so successful that the US Food and Drug Administration has put it on a "fast track" development programme.

This means it could be launched by the end of 2000. The drug has been produced from mouse antibodies which have been modified to work in humans to attack the Crohn's disorder.

Crohn's is currently treated with steroids and surgery, which can have harmful side effects such as severe weight gain and damage to internal organs.

It is hoped that the antibodies will be able to reduce patients' dependence on steroids, particularly when the disease flares up. Shares in Celtech rose more than 13 per cent on the news.



General de Chastelain: recognises the obstacles Paul McRae

## MOTOR VEHICLES MARKETING INCENTIVES HELP TO MINIMISE DROP IN REGISTRATIONS

## Fears allayed on new car sales

By John Griffiths in London

Tumbling stock markets and sagging consumer confidence hit August's new car registrations by less than manufacturers and dealers feared. Statistics released by the Society of Motor Manufacturers and Traders showed yesterday.

But the month's relatively modest 3.6 per cent drop in registrations, compared with the previous August, was achieved only by the industry introducing "massive" marketing and dealer incentives late in the month, said Alan Fulham, franchised dealers director of the Retail Motor Industry Federation.

At the half-way stage in the month, registrations were down by more than 7 per cent on a year-on-year basis - in spite of earlier predictions of possible record sales for any month in the industry's history - as fears of recession intensified

and combined with ongoing controversy over the level of UK new car prices.

An all-party select committee of MPs is to hold hearings in October into allegations that prices charged in the UK are excessively high, while the transport depart-

ment is due to announce before the end of the year whether it will lift current numerical restrictions on "grey" imports of new cars by private traders in pursuit of increased competition.

Ford remained market leader in August with both its main rivals, Vauxhall and Rover, losing ground

## Benefits reform may be delayed

By Robert Peston, Political Correspondent

Alistair Darling, the chief social security minister, has ruled out legislation in the coming year on reform of pensions provision or disability benefits, increasing the likelihood that fundamental changes to the welfare state will be deferred until after the next election.

The minister, who has been working through the summer on these two big issues following the sacking in July of his predecessor, Harriet Harman, has decided that the decisions involved are "too big to be rushed", according to a colleague.

However, this may provide ammunition for the Conservatives, who have been accusing the government of backing away from its promise to radically reconstitute the welfare state. There has also been disappointment in

the prime minister's office at the above-inflation growth in social security's £100m (£165m) budget projected for the coming three years.

Mr Darling's department has been allocated two legislative slots in December's Queen's Speech (the formal announcement of the government's legislative programme for the year), but these are likely to be used for less radical measures, such as transferring the Contributions Agency to Inland Revenue control and reform of the Child Support Agency.

The more sensitive questions of increasing compulsion in saving for second pensions and restricting entitlement to incapacity benefit will receive preliminary answers in consultative papers. The pensions paper is scheduled for the second half of November, while the disability report is not due until the turn of the year.

## UK new car registrations: August 1998

|                | Aug 1998 | Aug 97 | Jan-Aug 1998 | Jan-Aug 97 |
|----------------|----------|--------|--------------|------------|
|                | Volume   | % Chg  | Volume       | % Chg      |
| Total Market   | 955,322  | -3.3   | 1,002,100    | 1,000,100  |
| UK Produced    | 159,651  | -5.5   | 174,318      | 154,545    |
| Imports        | 546,861  | -3.0   | 681,135      | 625,976    |
| Japanese makes | 82,383   | 4.3    | 162,152      | 155,497    |
| Ford group     | 95,028   | 8.2    | 103,178      | 106,267    |
| Ford           | 92,180   | -0.5   | 102,125      | 105,435    |
| Jaguar         | 2,859    | 71.8   | 3,023        | 37.3       |
| General Motors | 69,788   | -17.8  | 12,834       | 14,111     |
| Vauxhall       | 55,025   | -18.9  | 12,424       | 20,522     |
| Seat           | 51,025   | -18.7  | 11,234       | 12,121     |
| BMW group      | 55,591   | -10.9  | 11,244       | 12,528     |
| BMW            | 14,122   | -20.3  | 2,586        | 40,765     |
| Rolls          | 4,248    | -16.4  | 0.7          | 152,223    |
| Pagani group   | 50,078   | -10.2  | 11,225       | 12,515     |
| Pagani         | 50,072   | -2.4   | 11,225       | 12,515     |
| Lotus          | 11,768   | -22.4  | 2,475        | 61,105     |
| Volkswagen     | 47,555   | -10.7  | 9,411        | 14,000     |
| Volvo          | 20,037   | 7.8    | 5,118        | 68,624     |
| Audi           | 19,959   | 24.0   | 4,141        | 31,003     |
| SEAT           | 4,211    | -7.8   | 0.9          | 14,512     |
| Skoda          | 4,746    | 18.3   | 0.9          | 12,921     |
| Rover          | 31,918   | 4.8    | 7,535        | 13,672     |
| Fiat group     | 25,133   | 8.2    | 5,455        | 7,528      |
| Fiat           | 23,151   | 4.7    | 4,422        | 7,341      |
| Abarth         | 2,982    | 27.6   | 0.3          | 5,574      |
| Mazda          | 24,643   | 24.4   | 4,455        | 75,221     |
| BMW            | 23,001   | 2.3    | 3,555        | 62,957     |
| Toyota         | 17,698   | 10.7   | 3,586        | 34,692     |
| Mercedes-Benz  | 9,488    | 7.1    | 1,727        | 24,678     |
| Vauxhall       | 7,478    | 8.9    | 1,414        | 25,082     |
| Mitsubishi     | 9,954    | 3.5    | 1,282        | 24,361     |
| Korean makes   | 12,901   | 21.6   | 2,616        | 23,614     |

1. Std holds 75% of Seat Automobiles and has management control. Includes Range Rover, Discovery, V8, V12 and Land Rover.

Source: Society of Motor Manufacturers and Traders

## The threat to globalisation

Perhaps the enormous volatility of the world's stock markets recently is part of a long-overdue correction. Perhaps it can be explained by worries about the spread of contagion. But there are deeper concerns as well. Malaysia's imposition of capital controls and Hong Kong's intervention in its stock market have planted worries that we may be entering a very different investment environment, where the supremacy of the markets is questioned and protectionism makes an unwelcome return.

Malaysia's action may open the floodgates for many more developing countries to put restrictions on capital flows. This is causing great concern. Capital controls prevent global capital from flowing to where it is most demanded, so impeding economic efficiency. Companies in capital-controlled countries have, at best, very limited access to cheap finance in the international capital markets: investment and growth therefore suffer. Controls are subject to avoidance and corruption. And, perhaps most seriously, they can be misused as a shield against the market forces that would otherwise compel governments to carry out necessary economic reforms.

But the Asian crisis is just the latest reminder that the risks associated with full capital convertibility can be very high, since short-term portfolio flows are by their very nature subject to wild swings.

The arguments for free capital flows are much more debatable than the arguments for free trade. Many countries have done very well without capital account convertibility. Even Professor Jagdish Bhagwati, an economist who has been influential in pushing the benefits of free trade, said recently that "the weight of evidence and the force of logic point... toward restraints on capital flows". The spread of capital controls is not necessarily the disaster that some economists are warning about; although western investors would certainly suffer, as they would lose the opportunity to diversify their portfolios into the high-risk emerging markets.

**Free-market backlash**  
Fears about a new investment environment, though, are not limited to worries about the re-imposition of capital controls. There is concern that a backlash against free markets in all their forms is beginning and that progress towards free global trade could be halted, or even reversed.

So far, there is no sign of an increase in protectionism. The

IMF has been careful to make further liberalisation a condition in its rescue packages in east Asia. The World Trade Organisation is working well in preventing transgressions against international trade rules. And the US and European Union are both still pursuing free-trade policies.

## Economic slowdown

But protectionist pressures are set to grow as the global economy slows down. Countries suffering from a weak economy are the most vulnerable to nationalistic pressures, of which protectionism is a popular form.

Protectionist pressures could therefore rise up in the weakened emerging market economies, particularly those directly affected by the crisis. Even if trade policy did not go into reverse, valuable progress could be stalled.

Leadership on trade policy, though, remains with the US and EU. So long as these trading blocs maintain a firm free-trade stance, the damage of isolated outbreaks of protectionism in the developing world should be limited.

The trouble is that the US will itself be increasingly subject to protectionist pressures it could find hard to resist. As a "consumer of last resort", the US will see its trade deficit rising, particularly if Latin America is dragged further into the crisis. At the same time, the economy is set to slow down. The anti-globalisation lobby is already gaining support in Congress and can only get stronger.

A widespread return to protectionism remains a distant possibility. But it is worth worrying about because of the gravity of its implications.

The liberalisation policies of the last half-century have allowed a huge increase in world trade and cross-border investment and, with it, economic growth. Greater protectionism could slow world trade growth, cut emerging markets off from the foreign direct investment that has been so important for their growth and prevent multinational companies from investing in the best locations. The prospects for world economic growth would be unambiguously worsened, as would be the prospects for world stock markets.

There is no need for panic about the prospect of more capital controls. Though inconvenient for foreign investors, their effects are limited. The real threat is that this could be just the first step on a path to protectionism. This is a more remote possibility, but a far more dangerous one.

**T**he worst may never happen. Having fallen heavily in the wake of the Asian and Russian crises, global stock markets may quickly rebound and history will look back on the past few weeks as an unpleasant but necessary correction.

Severe bear markets - ones that have a significant impact on the real economy - have thankfully occurred very rarely this century. Yet, given that most western markets have fallen by a fifth in little more than a month and considering that 40 per cent of the world economy is either in recession or heading that way, it makes sense to ask: if the world is entering a new bear phase, what might be the consequences?

History is not much help. The two worst bear markets of the century - 1929-32 and 1973-74 - had significantly different causes. The former was associated with a credit crunch and deflationary pressures; the latter with inflation, linked to the oil crisis. Any late 1990s bear market would be different again, although its causes are likely to be deflationary, and therefore closer to the 1929 than the 1973 edition. However, it is possible to project a few significant themes.

• **Private investors** would become disillusioned. The US investor has fallen heavily for the "cult of equity": 39 per cent of US personal sector net wealth is held in the form of shares. European investors are well behind the US but have been catching up during the past year or so.

During the long bull market, falls in share prices have been seen as opportunities to "buy on the dips". But if there were a bear market, in which each rally is followed by another sell-off, the decline in investor morale would become self-sustaining.

Instead of hanging on for long-term profits, investors would start bailing out before more of their money disappears.

The crash of 1929 soured private investors' attitude to equities for a generation; after the mid-1970s bear market, disillusioned savers caused mutual funds to lose a third of their assets between 1978 and 1982.

There would be a "wealth effect", particularly in the US. American consumers have been spending money, confident that their mutual fund holdings are rising in value; if the market falls substantially, they are likely to cut back on spending and build up their cash holdings. Economic growth would fall as a consequence, perhaps by as much as 1 percentage point of gross domestic product a year.

Those who rely on personal, rather than occupational, pensions could then find that their pension is much smaller than they had expected. And if bond yields continue to drop, some would face a double whammy. Not only would the value of their accumulated fund have dropped, but the annuity they buy with

their fund would also offer a lower return (because annuity rates are linked to bond yields).

And that would mean that the recent drive by governments to persuade current workers to finance their own pensions, rather than rely on the state, could peter out, which would blow a hole in long-term government finances. Talk of investing the US social security fund in the stock market, or of privatising the system so that beneficiaries can invest their own money, would be dropped.

• **Government finances** would take further blows. Those countries planning substantial privatisation programmes would either have to drop the idea or drastically reduce their revenue expectations.

Risk-averse investors would shut emerging markets out of the international capital markets for much longer than seems likely even now, after the effective Russian default and the International Monetary Fund rescue packages in south-east Asia. That would force developing countries to rely on their domestic markets, pushing up interest rates and reducing their economic growth.

Those western companies that have pinned their long-term hopes on growth in emerging markets would have to rethink. European funds out of bonds and into equities would be halted. But risk-averse investors would be interested in the debt only of developed nations and blue-chip companies.

The methods for comparing bond and equity valuations would have to be reassessed. The inflationary 1970s and 1980s meant that, to attract investors, bonds had to offer a substantial yield premium compared with equities. This has come to be accepted as the norm. But before 1968, things were the other way around: equities had to yield more than bonds because of their

riskier nature. If a bear market began, the premium might well revert to this traditional pattern.

• **Corporate finance** and new issue activity would slow down. After the crash of 1987, the amount of money raised in UK new issues fell by 25 per cent in the following year. The value of mergers and acquisitions activity in the US fell from £1.3bn in 1973 to £500m in 1974 and just £291m in 1975, according to Datastream.

A plunge in corporate finance activity would hit the profits of investment banks.

• **Investment portfolios** would be rearranged. If the "cult of equity" declined, bonds would make a comeback, increasing their share of institutional portfolios - especially if the bear market were caused by global deflation. The gradual shift by

## A plunge in corporate finance activity would hit the profits of investment banks

Risk-averse investors would shut emerging markets out of the international capital markets for much longer than seems likely even now, after the effective Russian default and the International Monetary Fund rescue packages in south-east Asia. That would force developing countries to rely on their domestic markets, pushing up interest rates and reducing their economic growth.

Those western companies that have pinned their long-term hopes on growth in emerging markets would have to rethink.

European funds out of bonds and into equities would be halted.

But risk-averse investors would be interested in the debt only of developed nations and blue-chip companies.

The methods for comparing bond and equity valuations would have to be reassessed.

The inflationary 1970s and 1980s meant that, to attract investors, bonds had to offer a substantial yield premium compared with equities.

This has come to be accepted as the norm.

But before 1968, things were the other way around: equities had to yield more than bonds because of their

calls for greater regulation of the markets. In the US, the 1929-32 era was followed by the Glass-Steagall Act, which separated commercial and investment banking; the 1987 crash by restrictions on trading strategies based on arbitrage between the cash market and the future. Derivatives markets, which outsiders (and even bank executives) find difficult to understand, would be a likely target.

• **Jobs in financial services** would be lost. Within weeks of the 1987 crash, US houses such as L F Rothschild and Kidder Peabody were laying off staff. It is estimated that about 20,000 jobs were lost in the City of London during the following year. Even where jobs are retained, bonuses would be cut. Property prices in the smarter areas of London and New York would slip.

• **Share option schemes** may lose their potency as a method of rewarding corporate executives. Executives have made fortunes from such schemes in recent years, particularly in the US. According to William Mercer, an employee benefit consultancy, last year chief executives at 138 out of 350 large US corporations had stock options with a face value of more than three times their pay and bonus.

But given the strength of the bull market, this may have had little to do with their management ability. As master investor Warren Buffet put it, it is rather like a duck in a rainstorm: believing that its paddling efforts were causing the level of the river to rise.

Some companies would try to rewrite their schemes to adjust for lower share prices. In a drawn-out bear market, even this strategy (which outside shareholders are unlikely to welcome) would not work. Companies may have to start shelling out real money to keep their key executives.

This year, Smithers & Co, a London research group, estimated that US profits had been overstated by as much as one-third in 1993 and 1996 because of options schemes. Smithers argued that stock options were effectively part of employees' remuneration, and thus the costs of providing them should be charged to profits.

• **Corporate profitability** in general would be squeezed. The effective cost of equity capital would rise. weaker credits would have to pay higher yields on debt because of banks' aversion to risk; and those companies that have had pension contribution holidays would have to resume payments into their schemes. Weaker rivals would cut prices in order to get business, lowering margins across the board.

Finally, some securities analysts, somewhere, would claim to have predicted it all. They would be feted in public and their opinions would move markets for a while. Until that is, their next big market call turns out to be wrong.

market is a way of making it too big to fail."

Other research confirms that Americans do not find finance particularly interesting. A survey by Yankelovich, the market research company, for Fidelity Investments found that on average Americans spent 137 hours researching a vacation, 124 hours on buying a car, but only 50 hours before sinking money into a mutual fund.

Conversations around the water cooler do not appear to involve advanced analysis of investment fundamentals. The Yankelovich survey found that only a quarter of investors knew that a cut in interest rates would make Treasury bond prices go up. Almost as many - 23 per cent - thought that bond prices would not realise there was any link. On average, they thought 16 per cent, roughly double the historic norm, was a fair rate of annual return to expect from equities.

When it came to stock-picking, the Fidelity research found one amateur investor who based his selection on whether he liked a company's television commercials. Little wonder that Fidelity has wheeled out Peter Lynch, its most successful fund manager, to front an advertising campaign.

Hennessee estimates that there is approximately \$400bn controlled by hedge funds worldwide. Some leverage their investment positions by as much as seven times, and think nothing of committing up to 10 per cent of their assets on one investment.

August's huge losses have removed the hedge funds' cloak of invulnerability. While few are forecasting a rapid decline in the money they have to invest, they are predicting leaner times. And, as if things were not bad enough, several countries are considering implementing new rules to limit speculation by foreign investors. That could really hurt.

William Lewis

## Grisly grizzly

A bear market is no longer unthinkable. Philip Coggan looks at the possible consequences for private investors, companies and governments



**F**or years seen as the highest-flying risk-takers on Wall Street, hedge fund managers have come down to earth with a bump. Several of the best known have disclosed huge losses as a result of the turmoil in Russia and other markets. A small number have filed for liquidation. More are expected to follow suit soon.

"It is certainly one of the worst months in recent times," says George Van of Van Hedge Fund Advisors International, a US consultancy. Up to a third of all funds are thought to have lost 10 per cent in August and three-quarters have made losses of some sort.

Among the worst hit have been well-known investors such as George Soros, whose Quan-

tin group of funds lost approximately \$2bn (£1.3bn) through its Russian investments. Long-Term Capital Management, run by John Meriwether, the former Salomon Brothers bond trader, said it lost a staggering 44 per cent of its net asset value in August alone, taking approximately \$2bn off the fund's total asset value.

The fallout from these losses has been widespread. Hedge fund managers appear to be in shock. In recent years, on the back of exceptionally strong investment performances, they have revelled in the spotlight. "This is the first time they have really got

slammed," says Charles Granda, of the Hennessee Hedge Fund Advisory Group, which advises investors on which funds to invest in.

In a letter to its clients Mr Meriwether, a pivotal character in Liars Poker, the book about Salomon's dominance of the Wall Street fixed-income market in the 1980s, admitted that "losses of this magnitude are a shock to us as they surely are to you".

Bankers Trust, one of the largest banks holding companies in the US, told investors it had suffered pre-tax trading losses of \$350m so far in the third quarter. As one of Wall Street's most

## Clip that hedge

aggressive lenders to hedge funds, it is said to have had a large exposure to High Risk Opportunities Fund, the West Palm Beach-based fund which earlier this week filed for liquidation in the Cayman Islands.

The wealthy individuals and investment institutions that provide hedge funds with their firepower are also having to make adjustments. Years of spectacular returns by funds meant that investors "got used to 25-30 per cent [annual] returns", says Mr Granda. "We are telling our investors to be happy with 15 per cent returns," he says.

Off the record

zly

short looks at the

economy and government

**Z**yuganov Prepares for War". That was how the favoured newspaper of Russia's capitalist converts, *Kommersant*, this week wrote about the decision of the potato-faced leader of the Communist party, Gennady Zyuganov, to reject Boris Yeltsin's candidate for prime minister, and with it, the chance to form a government to deal with financial turmoil. "The country has moved to the brink of civil war," the newspaper warned. "The Duma, led by Gennady Zyuganov, is prepared to fire the first shot."

Russia's business people, for the most part, had come to regard modern-day Communists with indifference, if not contempt. They viewed Mr Zyuganov and his colleagues as hare-brained losers who ran a hopeless presidential election campaign in 1996 and have since been too scared to confront President Yeltsin directly. The nadir was seemingly reached in April when a splinter group of Communist MPs defected from their party and voted for the reformist Sergei Kiriyenko as prime minister. The "iron discipline" of Lenin's successors appeared to have rusted away.

But this week, the Communist party has revealed its strength as the only organised political force in

## MAN IN THE NEWS GENNADY ZYUGANOV

**Russia's wrecking ball**

John Thornhill explains why the Communist leader is taking the country to the brink of political collapse

the country and the biggest faction in the Duma, the lower house of parliament. With Russia spinning out of control, the Communists are again convinced they have come.

On Monday, they rejected Victor Chernomyrdin as Mr Yeltsin's prime ministerial nominee for the first time. Yesterday, parliament postponed a second vote until Monday after Mr Yeltsin offered fresh concessions. If necessary, they say, they are prepared to vote down Mr Chernomyrdin three times. That would trigger the dissolution of the Duma, new elections, more political chaos and an even greater financial crisis.

But that crisis appears to be of secondary concern to Mr Zyuganov, no matter how much it devastates his country. It seems that Russia's Communists are again following Lenin's pre-revolutionary dictum - "the worse, the better".

Mr Zyuganov is an unlikely revolutionary. A mild-mannered man with a

fondness for fried potatoes and his ginger cat, Vaska.

Mr Zyuganov would more likely trip over his own shoes than storm the barricades. His colleagues in the ideology department of the Soviet Communist party used to refer to him as "the Bolshevik with square balls" because of his awkward gait.

Russia's *Profile* magazine, which recently pictured Mr Zyuganov at home with his family, warmed to the humanity of its subject. "You don't have to fear Communists like Zyuganov; they are domesticated, orthodox. It is always possible to strike a deal with them; they will not organise a putsch, they will not instigate lawlessness or order killings."

Yet it is this very lack of revolutionary fire that has antagonised many members of Mr Zyuganov's own party. The Leninist left, which has found a parliamentary spokesman in Victor Ilyukhin, chairman of the parliamentary security committee, has succeeded in pushing Mr Zyuganov into dropping his

early conciliatory approach to the Kremlin.

Mr Zyuganov has recently stepped up his personal and political attacks, condemning Mr Yeltsin as a "debauched, rotten, immoral person", responsible for the bloody assault on the parliament in October 1993 and the slaughter in Chechnya. Mr Zyuganov would appear to be in no mood for compromise - although he has often backed down before.

It may seem extraordinary to outsiders that Mr Zyuganov is prepared to engage in brinkmanship with Mr Yeltsin who could tip the whole country over the edge into anarchy. But the Communist chief himself argues that Mr Yeltsin can play no part in Russia's immediate future.

He recently sketched out two possible versions of how events could unfold. The first envisaged that the opposition would steadily intensify the pressure on Mr Yeltsin by launching formal impeachment proceedings against him in parliament and stoking up a day of mass protest on October 7. The opposition forces would then sweep to power - by unspecified means - and organise a government of people's trust. The second suggested that the country would spiral out of control with "bankruptcies and emergency situations" ending in sum and bloodshed.

For the moment, Mr Zyuganov seems more intent on seizing power and has been sounding a pragmatic note about compromising with other politicians, if not Mr Yeltsin. He stresses the virtues of price and currency controls, trade protectionism and government support for strategic industries, but he also says he favours a mixed economy and foreign investment. Whichever government now comes to power, he says, "must proceed not from projects drawn up by the young Chicago boys 20 years ago but from real life which causes adjustments to be made in politics almost every week".

That makes him sound

somewhat less than a revolutionary Bolshevik. Indeed, Sergei Markov, a politics professor at Moscow State University who has made a close study of Russia's Communists, argues that Mr Zyuganov has shifted the centre of gravity within his party from Marxist Internationalism to Slavophile commercialism. "He has transformed a party of 19th-century economic ideology into a party of 21st-century nationalism," Mr Markov claims.

That suggests Mr Zyuganov could easily find common cause with Yury Luzhkov, Moscow's populist mayor, who is himself prone to some fairly saucy-nationalist rhetoric, or Yegor Gaidar, the thoughtful speaker of the upper house of parliament. These leaders are seen as the most likely prime ministerial candidates should Mr Chernomyrdin be rejected.

It may not mean, though, that Mr Zyuganov could be president. True, if there were early presidential elections, he would almost certainly get to a second-round runoff, as he did in 1996. But the polls suggest he would be defeated by almost every other potential candidate in the second round, whether by the liberal Grigory Yavlinsky or the populist general, Alexander Lebed. Mr Zyuganov, it seems, has the power of a wrecking ball - not that of a builder.



## One country, two economies

Brian Groom on worrying signs that Britain's north-south divide may be re-emerging

**I**s the traditional divide between Britain's rich south and poor north, supposedly fast becoming a thing of the past, returning with a vengeance? Yesterday's announcement that Fujitsu is to close its plant in County Durham, with the loss of 600 jobs, follows a summer of screams of pain from northern regions.

The Fujitsu closure, like that of Siemens' Tyne-side plant a month ago, can be blamed on the semiconductor industry's woes. But that comes as little comfort to north-east England. Here job losses have exceeded 3,000 in five weeks, including redundancies at Grove Europe, a crane manufacturer, Rolls-Royce, and Crown Paints.

Across northern England, 4,000 jobs are going in textiles. In the Midlands, Rover announced 1,500 redundancies in July. Even the Scottish economy, a star performer of recent years, has turned down.

Yet the service-dominated economy of south-east England, although slowing, remains in comparatively good health.

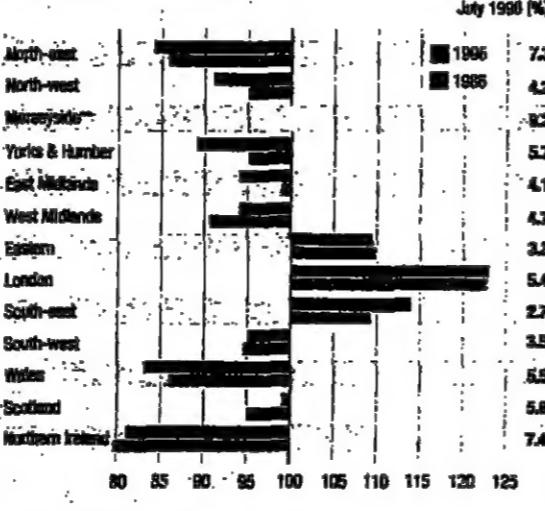
**P**rima facie evidence for the re-emergence of a north-south divide seems overwhelming. You might have thought it never went away, so deeply is the notion embedded in the UK's psyche. But for much of this decade, hopes grew that the old fault-line was closing.

The UK's last recession, in 1990-92, broke the post-war mould. Not only did it punish the south for credit-fuelled excesses. It also suggested the north and midlands, traumatised by factory closures a decade earlier, had successfully diversified their economies. They rode it out more easily.

A reversion to historic type would be devastating for those regions. It would dash Britain's hopes of lifting a barrier to more rapid growth, and present a serious headache for the Labour government. In its consultation paper *Building Partnerships for Prosperity*, which proposes creating eight English regional develop-

### Measuring the prosperity gap

Unemployment rate July 1998 (%)



| A summer of redundancies |        |         |
|--------------------------|--------|---------|
| Region                   | Sept 5 | Sept 30 |
| Motors                   | Aug 11 | 200     |
| Royal Ordnance           | Aug 11 | 475     |
| Grave Europe             | Aug 10 | 850     |
| SE Gas                   | Aug 5  | 500     |
| Gateshead                | Jul 31 | 1,400   |
| Rover                    | Jul 24 | 1,200   |
| Deecon                   | Jun 30 | 720     |

Source: DTI. \*Current count. \*\*Estimated CIP figures included in early count.

ment agencies (RDAs) from next April, the government is wide open, as well as export orders.

New jobs, on the other hand, have been announced even in hard-hit regions.

Tony Blair, the prime minister, said yesterday that over the past year, more than 10,000 had been created or safeguarded by inward investment in the north-east.

The UK's economic geography, moreover, has become complicated. While textile-dependent Bradford suffers, neighbouring Leeds is protected by its growth in financial services. The squalls of Birmingham's manufacturers are not repeated among the city's professional classes. And whereas west Wales and the valleys are basket cases, Cardiff and south-east Wales is a success.

It is those northern regions with a higher concentration of manufacturing that are suffering most from the high pound, high interest rates and Asian crisis, says Neil Blake, research

win domestic, as well as export, orders.

New jobs, on the other hand, have been announced even in hard-hit regions.

Tony Blair, the prime minister, said yesterday that over the past year, more than 10,000 had been created or safeguarded by inward investment in the north-east.

The UK's economic geography, moreover, has become complicated. While textile-dependent Bradford suffers, neighbouring Leeds is protected by its growth in financial services. The squalls of Birmingham's manufacturers are not repeated among the city's professional classes. And whereas west Wales and the valleys are basket cases, Cardiff and south-east Wales is a success.

It is those northern regions with a higher concentration of manufacturing that are suffering most from the high pound, high interest rates and Asian crisis, says Neil Blake, research

and development director at Business Strategies.

Even if this does not

raise numbers claiming unemployment benefit, it is likely to have an impact on total employment.

Other indicators are also

disheartening. The number of regional quoted companies outside the south-east is

falling for the first time in

years as companies merge or

close. Experian, the business

information group, reports

lower profit margins in the

north-west and Wales.

David Mackie of Morgan

Guaranty warns that "the

manufacturing sector will

contract sharply in the com-

ing year our forecast is a

drop in output of 5 to 10 per

cent."

This does more than put

pressure on the government

and Bank of England over

interest rates. It presents a

challenge for the Scottish

parliament and Welsh

assembly, to be established

next year, and raises the

stakes dramatically for

English RDAs.

The government's experimen-

ment in decentralisation

could lead in unforeseen

directions. The RDAs are

intended to close the pro-

perty gap with other Euro-

pean regions, and narrow

differentials in the UK. But

economic forces are pushing

in the opposite direction.

Research by Tony Travers

at the London School of Eco-

nomics shows UK regional

differentials are narrower

than those in France, Ger-

many, Italy and Spain. RDAs

could reduce rather than

increase the gap.

The government's experimen-

ment in decentralisation

could lead in unforeseen

directions. The RDAs are

intended to close the pro-

perty gap with other Euro-

pean regions, and narrow

differentials in the UK. But

economic forces are pushing

in the opposite direction.

Research by Tony Travers

at the London School of Eco-

nomics shows UK regional

differentials are narrower

than those in France, Ger-

many, Italy and Spain. RDAs

could reduce rather than

increase the gap.

The government's experimen-

ment in decentralisation

could lead in unforeseen

directions. The RDAs are

intended to close the pro-

perty gap with other Euro-

pean regions, and narrow

differentials in the UK. But

# Oil steady on Russian exports fear

## WEEK IN THE MARKETS

By Gary Mead

Crude oil yesterday managed to cling on to most of the gains it made at the end of the week, as it continued to be boosted by fears that Russian exports - or some 2.1m b/d - may be interrupted as a consequence of the country's economic turmoil.

On the International Petroleum Exchange in London, October-delivered Brent fell to \$13.33 a barrel, down 11 cents from Thursday's close, which surprised some traders, who had expected news of imminent talks between the Saudi and Kuwaiti oil ministers to be supportive for prices. In later trading it clawed back to \$13.39.

Venezuela announced it had lowered its reference price for its oil - the price on which it makes its national budget plans - from \$15.50 to \$11.50 a barrel for 1998.

Russian exports of crude from its main Black Sea and Baltic outlets have suffered severe cuts this week. However, the reductions are largely technical, related to the disturbance of the banking system, which is making it difficult for lifters to get hold of the funds to pay customs dues.

On the London International Financial Futures and Options Exchange cocoa futures consolidated following the small decline earlier this week. The December future closed 11 lower at \$1,070 a tonne. Coffee futures were, however, slightly stronger on the back of investment fund interest; the November contract finished \$17 higher at \$1,860 a tonne.

Brent Blend crude 2-month forward \$ per barrel

25  
20  
15  
10  
0

1995 96 97 98

Source: Reuters/ICM

LME warehouse stocks\*  
Tones (000) Change

Aluminium 462.2 +150

Aluminium alloy 73.3 -80

Copper 337.3 +1925

Copper, LME 420.0 +2000

Copper, Kkt close 437.0 +230

Open int. 65.701 15,359

Total daily turnover 1,239

\* Thursday's close

1995 96 97 98

Source: Reuters/ICM

1995 96 97 98

MEAT AND LIVESTOCK

## Dollar bounce

### MARKETS REPORT

By Richard Adams

The US dollar staged a recovery against the D-Mark during trading on international currency markets yesterday - but analysts warned that its strength may be waning.

After a week of strong selling, the dollar climbed a penny against the D-Mark by the end of trading hours in Europe. It ended at DM1.735, and also gained most of a cent against sterling to \$1.673.

In later trading in New York, the dollar rose by a further penny, until hitting resistance at DM1.744. The failure to attract buyers above that level saw the dollar quickly fall back in thin trading. But other factors continued to weigh the market down. Yen carry trades continued to unwind, while selling of US assets to cover

losses in emerging markets was again reported.

"The technical picture very much questions whether the dollar can continue its rally - the whole momentum behind the growth of the dollar has disappeared," said Tony Norfield, global head of treasury

Against the yen the dollar actually weakened slightly in Europe to Y134.3, as talk

of Japanese fund repatriation continued to mesmerise the market. The spell was broken in New York, and the dollar steamed back to Y136 before strong selling interest arrived.

New York analysts said

the US dollar had been oversold in recent days, leading to the bounce back yesterday. But other factors continued to weigh the market down. Yen carry trades continued to unwind, while sell-

ing of US assets to cover

weak currencies.

Mr Chernomyrdin also said he was in favour of a currency board regime to stabilise the rouble. The central bank fixed the rouble rate at 16.89 to the dollar for the weekend, compared with 13.46 yesterday.

The Emerging Market

Traders Association said the unofficial rouble rate - based on a survey of Moscow

traders - was 18.81 yester-

day. It was 15.77 on Thurs-

day. The trading band observed

research at ABN Amro bank in London.

The dollar was also helped yesterday by comments from Hans Tietmeyer, the Bundesbank president. He said the dollar's fall was caused by technical factors, rather than any underlying economic reason.

The IMF said the devaluation was "fully consistent" with its extended fund facility. Ukraine is set to receive a tranche of \$250m next week if approved by IMF directors.

Bronwyn Curtis, chief economist at Nomura International in London, said that weaker dollar would ease the difficulties of countries with weak currencies.

And with many commodities traded internationally in US dollars, countries like Canada and Australia may benefit from rising prices.

"The weaker dollar really does take pressure off emerging market currencies," Ms Curtis said.

■ Ukraine yesterday

announced an effective devaluation of its currency, the hryvnia, when it lowered the trading band observed

by the country's central bank.

The decision, made with the International Monetary Fund's blessing, set the hryvnia's band between 2.50 to 3.50 to the US dollar. It was previously between 1.80 to 2.25.

The IMF said the devaluation was "fully consistent" with its extended fund facility. Ukraine is set to receive a tranche of \$250m next week if approved by IMF directors.

■ The rouble was not helped by comments from Victor Chernomyrdin, that he wanted "an economic dictatorship" to help Russia.

Mr Chernomyrdin also said he was in favour of a currency board regime to stabilise the rouble. The central bank fixed the rouble rate at 16.89 to the dollar for the weekend, compared with 13.46 yesterday.

The Emerging Market

Traders Association said the

unofficial rouble rate - based on a survey of Moscow

traders - was 18.81 yester-

day. It was 15.77 on Thurs-

day. The trading band observed

weak currencies.

Mr Chernomyrdin also

said he was in favour of a

currency board regime to

stabilise the rouble. The

central bank fixed the

rouble rate at 16.89 to the

dollar for the weekend, com-

pared with 13.46 yester-

day. The trading band ob-

served

weak currencies.

Mr Chernomyrdin also

said he was in favour of a

currency board regime to

stabilise the rouble. The

central bank fixed the

rouble rate at 16.89 to the

dollar for the weekend, com-

pared with 13.46 yester-

day. The trading band ob-

served

weak currencies.

Mr Chernomyrdin also

said he was in favour of a

currency board regime to

stabilise the rouble. The

central bank fixed the

rouble rate at 16.89 to the

dollar for the weekend, com-

pared with 13.46 yester-

day. The trading band ob-

served

weak currencies.

Mr Chernomyrdin also

said he was in favour of a

currency board regime to

stabilise the rouble. The

central bank fixed the

rouble rate at 16.89 to the

dollar for the weekend, com-

pared with 13.46 yester-

day. The trading band ob-

served

weak currencies.

Mr Chernomyrdin also

said he was in favour of a

currency board regime to

stabilise the rouble. The

central bank fixed the

rouble rate at 16.89 to the

dollar for the weekend, com-

pared with 13.46 yester-

day. The trading band ob-

served

weak currencies.

Mr Chernomyrdin also

said he was in favour of a

currency board regime to

stabilise the rouble. The

central bank fixed the

rouble rate at 16.89 to the

dollar for the weekend, com-

pared with 13.46 yester-

day. The trading band ob-

served

weak currencies.

Mr Chernomyrdin also

said he was in favour of a

currency board regime to

stabilise the rouble. The

central bank fixed the

rouble rate at 16.89 to the

dollar for the weekend, com-

pared with 13.46 yester-

day. The trading band ob-

served

weak currencies.

Mr Chernomyrdin also

said he was in favour of a

currency board regime to

stabilise the rouble. The

central bank fixed the

rouble rate at 16.89 to the

dollar for the weekend, com-

pared with 13.46 yester-

day. The trading band ob-

served

weak currencies.

Mr Chernomyrdin also

said he was in favour of a

currency board regime to

stabilise the rouble. The

central bank fixed the

rouble rate at 16.89 to the

dollar for the weekend, com-

pared with 13.46 yester-

day. The trading band ob-

served

weak currencies.

Mr Chernomyrdin also

said he was in favour of a

currency board regime to

stabilise the rouble. The

central bank fixed the

rouble rate at 16.89 to the

dollar for the weekend, com-

pared with 13.46 yester-

day. The trading band ob-

served

weak currencies.

Mr Chernomyrdin also

said he was in favour of a

currency board regime to

stabilise the rouble. The

central bank fixed the

rouble rate at 16.89 to the

dollar for the weekend, com-

pared with 13.46 yester-

day. The trading band ob-

served

weak currencies.

Mr Chernomyrdin also

said he was in favour of a

currency board regime to

stabilise the rouble. The

central bank fixed the

rouble rate at 16.89 to the

dollar for the weekend, com-

pared with 13.46 yester-

day. The trading band ob-

served

weak currencies.

Mr Chernomyrdin also

said he was in favour of a

currency board regime to

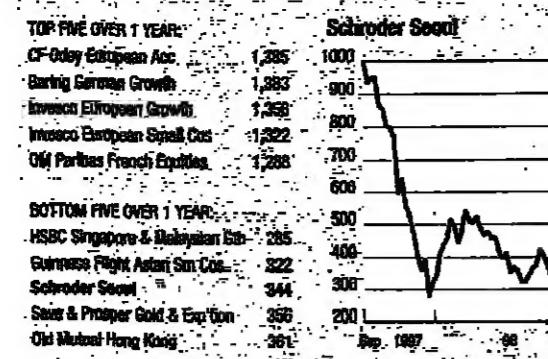
stabilise the rouble. The

central bank fixed the

rouble

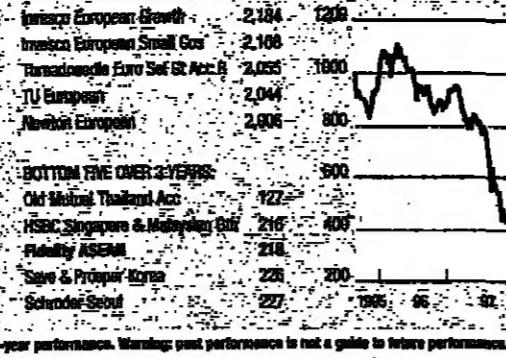
## UNIT TRUSTS

### ■ WINNERS AND LOSERS



Tables show the result of investing £1,000 over different time periods. Trusts are ranked on 3-year performance. Warning: past performance is not a guide to future performance.

### TOP FIVE OVER 3 YEARS:

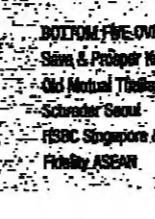
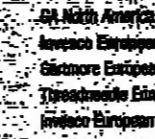


Tables show the result of investing £1,000 over different time periods. Trusts are ranked on 5-year performance. Warning: past performance is not a guide to future performance.

### Fidelity ASEAN

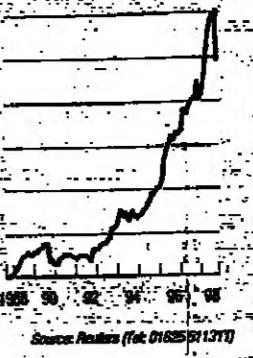


### TOP FIVE OVER 5 YEARS:



Tables show the result of investing £1,000 over different time periods. Trusts are ranked on 5-year performance. Warning: past performance is not a guide to future performance.

### Jupiter European



Tables show the result of investing £1,000 over different time periods. Trusts are ranked on 5-year performance. Warning: past performance is not a guide to future performance.

### ■ Indices

#### Average Unit Trust

1000 1161 1204 2074 3.1 2.5

Average Investment Trust

1000 1225 1248 2070 3.5 4.4

Bank

1045 1172 1201 1720 0.5 0.5

Building Society

1042 1113 1225 2077 0.4 0.4

Stockmarket FTSE All-Share

1070 1358 1672 3074 3.5 3.3

Inflation

1000 1093 1159 1528 0.5 0.5

SECTOR AVERAGE

1000 1093 1159 1528 0.5 0.5

■ UK Growth

Johnson Fry Sater Growth

1000 1855 2336 4268 4.3 1.8

OM Hartley Growth

1058 1748 1690 2405 4.1 1.6

River & Mercantile 1st Growth

1087 1709 2179 3.4 1.4

Savva UK Growth

1131 1638 2063 3.5 1.8

Barclays Growth Acc

1131 1629 1885 3105 2.2 1.1

SECTOR AVERAGE

1010 1378 1626 2765 3.2 1.7

■ UK Growth & Income

CF The Utilities

1226 1705 2241 3.4 2.7

Fidelity Select UK Income

1127 1620 2043 3222 3.4 2.4

River & Mercantile Top 100

1088 1617 2039 3.3 2.4

HSBC Funds Fund

1088 1609 1798 3.3 1.9

Laurence Klein Income & Growth

1080 1601 1789 3.3 2.2

SECTOR AVERAGE

1027 1410 1838 2808 3.4 2.3

■ UK Smaller Companies

NatWest UK Smaller Cos

1000 1728 - 4.5 1.7

Laurence Klein Smaller Cos

1018 1655 - 4.3 1.4

GT UK Smaller Companies Acc

1223 1593 1954 4.2 1.2

Garthorpe UK Smaller Companies

988 1502 2081 2514 4.5 1.1

Henderson Exempt Cypt

1119 1529 1974 4.1 1.2

SECTOR AVERAGE

941 1175 1398 1983 4.2 1.7

■ UK Equity Income

EWU UK Equity Income

1068 1828 2029 333 3.1 3.5

Jupiter Income

1041 1607 2301 4571 2.9 4.0

Fidelity Income Plus

1055 1593 1957 2423 3.2 4.4

Britannia High Yield Inc

1075 1561 1963 3871 3.0 3.3

NPI Global Care Income

1113 1541 - 3.8 2.9

SECTOR AVERAGE

1026 1393 1806 2834 3.1 4.0

■ UK Equity & Bond Income

CS UK Income

1121 1510 1887 - 2.8 3.5

Marlborough UK High Income

1198 1503 - 2.4 5.5

HSBC High Income

1068 1491 - 2.4 5.5

CU PFT High Yield

1124 1490 1835 2692 2.8 5.3

Abbey National Extra Income

1048 1479 1620 3347 2.3 4.8

SECTOR AVERAGE

1044 1337 1482 2446 2.4 5.1

■ UK Equity & Bond Income

CS UK Income

1121 1510 1887 - 2.8 3.5

Marlborough UK High Income

1198 1503 - 2.4 5.5

HSBC High Income

1068 1491 - 2.4 5.5

CU PFT High Yield

1124 1479 1620 3347 2.3 4.8

Abbey National Extra Income

1048 1479 1620 3347 2.3 4.8

SECTOR AVERAGE

1044 1337 1482 2446 2.4 5.1

■ UK Equity & Bond Income

CS UK Income

1121 1510 1887 - 2.8 3.5

Marlborough UK High Income

1198 1503 - 2.4 5.5

HSBC High Income

1068 1491 - 2.4 5.5

CU PFT High Yield

1124 1479 1620 3347 2.3 4.8

Abbey National Extra Income

1048 1479 1620 3347 2.3 4.8

SECTOR AVERAGE

1044 1337 1482 2446 2.4 5.1

■ UK Equity & Bond Income

CS UK Income

1121 1510 1887 - 2.8 3.5

Marlborough UK High Income

1198 1503 - 2.4 5.5

HSBC High Income

1068 1491 - 2.4 5.5

CU PFT High Yield

1124 1479 1620 3347 2.3 4.8

Abbey National Extra Income

1048 1479 1620 3347 2.3 4.8

SECTOR AVERAGE

1044 1337 1482 2446 2.4 5.1

■ UK Equity & Bond Income

CS UK Income

1121 1510 1887 - 2.8 3.5

Marlborough UK High Income

1198 1503 - 2.4 5.5

HSBC High Income

1068 1491 - 2.4 5.5



## FT MANAGED FUNDS SERVICE

Authorised and Insurance

• FT Online Unit Prices are available over the telephone. Call the FT Online Help Desk on (44 171) 873 4378 for more details.

| Unit Index                                 | Setting | Price | Yield | Yield | Unit Index                         | Setting | Price | Yield | Yield | Unit Index                            | Setting     | Price | Yield | Yield | Unit Index                           | Setting | Price | Yield | Yield | Unit Index | Setting | Price | Yield | Yield |  |  |  |
|--|---------|-------|-------|-------|------------------------------------|---------|-------|-------|-------|---------------------------------------|-------------|-------|-------|-------|--------------------------------------|---------|-------|-------|-------|------------|---------|-------|-------|-------|--|--|--|
| <b>Mutual Fund Management Ltd - Contd.</b> |         |       |       |       |                                    |         |       |       |       |                                       |             |       |       |       |                                      |         |       |       |       |            |         |       |       |       |  |  |  |
| Midland Funds Unit Trust                   | 125.2   | 150.5 | 1.25  | 1.25  | Midland Fund Managers Ltd - Contd. |         |       |       |       | Smith & Wigginton Unit Trust Mgmt Ltd | 170000/F    |       |       |       | Morgan Creek Investment Funds Ltd    |         |       |       |       |            |         |       |       |       |  |  |  |
| Midland Growth Fund                        | 112.5   | 125.5 | 1.25  | 1.25  | Midland Fund Managers Ltd - Contd. |         |       |       |       | 1 Harewood St, London W1K 4AS         | 071-257 537 |       |       |       | Abbey Life Assurance Co Ltd - Contd. |         |       |       |       |            |         |       |       |       |  |  |  |
| Midland Income Fund                        | 125.1   | 145.6 | 1.25  | 1.25  | Midland Fund Managers Ltd - Contd. |         |       |       |       | 5 & 6 Grosvenor St, London W1K 4AS    | 071-257 537 |       |       |       | Abbey Life Assurance Co Ltd - Contd. |         |       |       |       |            |         |       |       |       |  |  |  |
| Midland Managed Fund                       | 145.5   | 167.0 | 1.25  | 1.25  | Midland Fund Managers Ltd - Contd. |         |       |       |       | 6 & 7 Grosvenor St, London W1K 4AS    | 071-257 537 |       |       |       | Abbey Life Assurance Co Ltd - Contd. |         |       |       |       |            |         |       |       |       |  |  |  |
| Midland Money Market Fund                  | 97.00   | 105.0 | 1.25  | 1.25  | Midland Fund Managers Ltd - Contd. |         |       |       |       | 8 & 9 Grosvenor St, London W1K 4AS    | 071-257 537 |       |       |       | Abbey Life Assurance Co Ltd - Contd. |         |       |       |       |            |         |       |       |       |  |  |  |
| Midland Private Equity Fund                | 117.5   | 134.0 | 1.25  | 1.25  | Midland Fund Managers Ltd - Contd. |         |       |       |       | 10 & 11 Grosvenor St, London W1K 4AS  | 071-257 537 |       |       |       | Abbey Life Assurance Co Ltd - Contd. |         |       |       |       |            |         |       |       |       |  |  |  |
| Midland Private Equity Fund                | 100.0   | 115.0 | 1.25  | 1.25  | Midland Fund Managers Ltd - Contd. |         |       |       |       | 12 & 13 Grosvenor St, London W1K 4AS  | 071-257 537 |       |       |       | Abbey Life Assurance Co Ltd - Contd. |         |       |       |       |            |         |       |       |       |  |  |  |
| Midland Private Equity Fund                | 100.0   | 115.0 | 1.25  | 1.25  | Midland Fund Managers Ltd - Contd. |         |       |       |       | 14 & 15 Grosvenor St, London W1K 4AS  | 071-257 537 |       |       |       | Abbey Life Assurance Co Ltd - Contd. |         |       |       |       |            |         |       |       |       |  |  |  |
| Midland Private Equity Fund                | 100.0   | 115.0 | 1.25  | 1.25  | Midland Fund Managers Ltd - Contd. |         |       |       |       | 16 & 17 Grosvenor St, London W1K 4AS  | 071-257 537 |       |       |       | Abbey Life Assurance Co Ltd - Contd. |         |       |       |       |            |         |       |       |       |  |  |  |
| Midland Private Equity Fund                | 100.0   | 115.0 | 1.25  | 1.25  | Midland Fund Managers Ltd - Contd. |         |       |       |       | 18 & 19 Grosvenor St, London W1K 4AS  | 071-257 537 |       |       |       | Abbey Life Assurance Co Ltd - Contd. |         |       |       |       |            |         |       |       |       |  |  |  |
| Midland Private Equity Fund                | 100.0   | 115.0 | 1.25  | 1.25  | Midland Fund Managers Ltd - Contd. |         |       |       |       | 20 & 21 Grosvenor St, London W1K 4AS  | 071-257 537 |       |       |       | Abbey Life Assurance Co Ltd - Contd. |         |       |       |       |            |         |       |       |       |  |  |  |
| Midland Private Equity Fund                | 100.0   | 115.0 | 1.25  | 1.25  | Midland Fund Managers Ltd - Contd. |         |       |       |       | 22 & 23 Grosvenor St, London W1K 4AS  | 071-257 537 |       |       |       | Abbey Life Assurance Co Ltd - Contd. |         |       |       |       |            |         |       |       |       |  |  |  |
| Midland Private Equity Fund                | 100.0   | 115.0 | 1.25  | 1.25  | Midland Fund Managers Ltd - Contd. |         |       |       |       | 24 & 25 Grosvenor St, London W1K 4AS  | 071-257 537 |       |       |       | Abbey Life Assurance Co Ltd - Contd. |         |       |       |       |            |         |       |       |       |  |  |  |
| Midland Private Equity Fund                | 100.0   | 115.0 | 1.25  | 1.25  | Midland Fund Managers Ltd - Contd. |         |       |       |       | 26 & 27 Grosvenor St, London W1K 4AS  | 071-257 537 |       |       |       | Abbey Life Assurance Co Ltd - Contd. |         |       |       |       |            |         |       |       |       |  |  |  |
| Midland Private Equity Fund                | 100.0   | 115.0 | 1.25  | 1.25  | Midland Fund Managers Ltd - Contd. |         |       |       |       | 28 & 29 Grosvenor St, London W1K 4AS  | 071-257 537 |       |       |       | Abbey Life Assurance Co Ltd - Contd. |         |       |       |       |            |         |       |       |       |  |  |  |
| Midland Private Equity Fund                | 100.0   | 115.0 | 1.25  | 1.25  | Midland Fund Managers Ltd - Contd. |         |       |       |       | 30 & 31 Grosvenor St, London W1K 4AS  | 071-257 537 |       |       |       | Abbey Life Assurance Co Ltd - Contd. |         |       |       |       |            |         |       |       |       |  |  |  |
| Midland Private Equity Fund                | 100.0   | 115.0 | 1.25  | 1.25  | Midland Fund Managers Ltd - Contd. |         |       |       |       | 32 & 33 Grosvenor St, London W1K 4AS  | 071-257 537 |       |       |       | Abbey Life Assurance Co Ltd - Contd. |         |       |       |       |            |         |       |       |       |  |  |  |
| Midland Private Equity Fund                | 100.0   | 115.0 | 1.25  | 1.25  | Midland Fund Managers Ltd - Contd. |         |       |       |       | 34 & 35 Grosvenor St, London W1K 4AS  | 071-257 537 |       |       |       | Abbey Life Assurance Co Ltd - Contd. |         |       |       |       |            |         |       |       |       |  |  |  |
| Midland Private Equity Fund                | 100.0   | 115.0 | 1.25  | 1.25  | Midland Fund Managers Ltd - Contd. |         |       |       |       | 36 & 37 Grosvenor St, London W1K 4AS  | 071-257 537 |       |       |       | Abbey Life Assurance Co Ltd - Contd. |         |       |       |       |            |         |       |       |       |  |  |  |
| Midland Private Equity Fund                | 100.0   | 115.0 | 1.25  | 1.25  | Midland Fund Managers Ltd - Contd. |         |       |       |       | 38 & 39 Grosvenor St, London W1K 4AS  | 071-257 537 |       |       |       | Abbey Life Assurance Co Ltd - Contd. |         |       |       |       |            |         |       |       |       |  |  |  |
| Midland Private Equity Fund                | 100.0   | 115.0 | 1.25  | 1.25  | Midland Fund Managers Ltd - Contd. |         |       |       |       | 40 & 41 Grosvenor St, London W1K 4AS  | 071-257 537 |       |       |       | Abbey Life Assurance Co Ltd - Contd. |         |       |       |       |            |         |       |       |       |  |  |  |
| Midland Private Equity Fund                | 100.0   | 115.0 | 1.25  | 1.25  | Midland Fund Managers Ltd - Contd. |         |       |       |       | 42 & 43 Grosvenor St, London W1K 4AS  | 071-257 537 |       |       |       | Abbey Life Assurance Co Ltd - Contd. |         |       |       |       |            |         |       |       |       |  |  |  |
| Midland Private Equity Fund                | 100.0   | 115.0 | 1.25  | 1.25  | Midland Fund Managers Ltd - Contd. |         |       |       |       | 44 & 45 Grosvenor St, London W1K 4AS  | 071-257 537 |       |       |       | Abbey Life Assurance Co Ltd - Contd. |         |       |       |       |            |         |       |       |       |  |  |  |
| Midland Private Equity Fund                | 100.0   | 115.0 | 1.25  | 1.25  | Midland Fund Managers Ltd - Contd. |         |       |       |       | 46 & 47 Grosvenor St, London W1K 4AS  | 071-257 537 |       |       |       | Abbey Life Assurance Co Ltd - Contd. |         |       |       |       |            |         |       |       |       |  |  |  |
| Midland Private Equity Fund                | 100.0   | 115.0 | 1.25  | 1.25  | Midland Fund Managers Ltd - Contd. |         |       |       |       | 48 & 49 Grosvenor St, London W1K 4AS  | 071-257 537 |       |       |       | Abbey Life Assurance Co Ltd - Contd. |         |       |       |       |            |         |       |       |       |  |  |  |
| Midland Private Equity Fund                | 100.0   | 115.0 | 1.25  | 1.25  | Midland Fund Managers Ltd - Contd. |         |       |       |       | 50 & 51 Grosvenor St, London W1K 4AS  | 071-257 537 |       |       |       | Abbey Life Assurance Co Ltd - Contd. |         |       |       |       |            |         |       |       |       |  |  |  |
| Midland Private Equity Fund                | 100.0   | 115.0 | 1.25  | 1.25  | Midland Fund Managers Ltd - Contd. |         |       |       |       | 52 & 53 Grosvenor St, London W1K 4AS  | 071-257 537 |       |       |       | Abbey Life Assurance Co Ltd - Contd. |         |       |       |       |            |         |       |       |       |  |  |  |
| Midland Private Equity Fund                | 100.0   | 115.0 | 1.25  | 1.25  | Midland Fund Managers Ltd - Contd. |         |       |       |       | 54 & 55 Grosvenor St, London W1K 4AS  | 071-257 537 |       |       |       | Abbey Life Assurance Co Ltd - Contd. |         |       |       |       |            |         |       |       |       |  |  |  |
| Midland Private Equity Fund                | 100.0   | 115.0 | 1.25  | 1.25  | Midland Fund Managers Ltd - Contd. |         |       |       |       | 56 & 57 Grosvenor St, London W1K 4AS  | 071-257 537 |       |       |       | Abbey Life Assurance Co Ltd - Contd. |         |       |       |       |            |         |       |       |       |  |  |  |
| Midland Private Equity Fund                | 100.0   | 115.0 | 1.25  | 1.25  | Midland Fund Managers Ltd - Contd. |         |       |       |       | 58 & 59 Grosvenor St, London W1K 4AS  | 071-257 537 |       |       |       | Abbey Life Assurance Co Ltd - Contd. |         |       |       |       |            |         |       |       |       |  |  |  |
| Midland Private Equity Fund                | 100.0   | 115.0 | 1.25  | 1.25  | Midland Fund Managers Ltd - Contd. |         |       |       |       | 60 & 61 Grosvenor St, London W1K 4AS  | 071-257 537 |       |       |       | Abbey Life Assurance Co Ltd - Contd. |         |       |       |       |            |         |       |       |       |  |  |  |
| Midland Private Equity Fund                | 100.0   | 115.0 | 1.25  | 1.25  | Midland Fund Managers Ltd - Contd. |         |       |       |       | 62 & 63 Grosvenor St, London W1K 4AS  | 071-257 537 |       |       |       | Abbey Life Assurance Co Ltd - Contd. |         |       |       |       |            |         |       |       |       |  |  |  |
| Midland Private Equity Fund                | 100.0   | 115.0 | 1.25  | 1.25  | Midland Fund Managers Ltd - Contd. |         |       |       |       | 64 & 65 Grosvenor St, London W1K 4AS  | 071-257 537 |       |       |       | Abbey Life Assurance Co Ltd - Contd. |         |       |       |       |            |         |       |       |       |  |  |  |
| Midland Private Equity Fund                | 100.0   | 115.0 | 1.25  | 1.25  | Midland Fund Managers Ltd - Contd. |         |       |       |       | 66 & 67 Grosvenor St, London W1K 4AS  | 071-257 537 |       |       |       | Abbey Life Assurance Co Ltd - Contd. |         |       |       |       |            |         |       |       |       |  |  |  |
| Midland Private Equity Fund                | 100.0   | 115.0 | 1.25  | 1.25  | Midland Fund Managers Ltd - Contd. |         |       |       |       | 68 & 69 Grosvenor St, London W1K 4AS  | 071-257 537 |       |       |       | Abbey Life Assurance Co Ltd - Contd. |         |       |       |       |            |         |       |       |       |  |  |  |

### **Insurances, Money Markets and Other**

• FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

13

ability to withdraw all  
the money once a year.  
The amount credited to the  
account is based on the  
average balance of the  
account for the year.



## FT MANAGED FUNDS SERVICE

## Offshore Funds and Insurances

- FT Cayenne Unit Trust Prices are available over the telephone. Call the FT Cayenne Help Desk on (+44 171) 873 4378 for more details.

## FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

#### Offshore Insurances and Other Funds

## LONDON STOCK EXCHANGE

## Bids help UK equities ignore Wall Street dips

## MARKETS REPORT

By Steve Thompson,  
UK Stock Market Editor

Hopes that the Russian-induced turmoil affecting global markets may at last have calmed down, at least in the short term, helped UK stocks stage an encouraging rally for much of yesterday.

London's good showing was due in part to a couple of sizeable takeover bids, both from the US and both targeted at industrial stocks, namely David Brown and TLG, previously known as Thorn Lighting.

But there was never any real buying power behind the London

market, with a mid-morning decline by Wall Street upsetting what looked like being a substantial recovery in UK stocks at the end of an extremely difficult week.

"Wall Street was a real disappointment, both overnight and yesterday, and took the wind out of the sails of the European markets," said one marketmaker in London.

Overnight, Wall Street's Dow Jones Industrial Average had posted a three-figure gain, only to turn round suddenly towards the damage, burdened by a series of disappointing reports on the impact of the Russian crisis on US banking stocks.

When the curtain came down

on a week of extreme volatility, the FTSE 100 showed a 48.3 advance to 5,167.0 on the day, reducing the fall on the week to 4.8 or 1.6 per cent.

There was less volatility in the second-tier and small caps. The FTSE 250 finished the day at a session high, up 1.5 at 4,683.5, driven down, according to dealers, by the prospect of more takeovers in the pipeline.

Although there was serious disengagement with Wall Street's performance, London traders said they had expected the long holiday weekend in the US to be preceded by a general winding-down of activity.

When the curtain came down

on a week of extreme volatility, the FTSE 100 showed a 48.3 advance to 5,167.0 on the day, reducing the fall on the week to 4.8 or 1.6 per cent.

Similarly the small caps edged ahead, pushed up by the two bids, worth well in excess of £500m, for TLG and David Brown.

The FTSE SmallCap index gained 1.0 to 2,083.3, leaving that index 5.9 or 2.7 per cent lower over the week.

Natural resource shares performed well, reversing the steep losses affecting mining companies and oil stocks earlier in the week when oil and metal prices fell away.

Shell, responding to its link-up with Texaco, was the best performer in the FTSE 100.

Volume was 887.1m shares by

cent. Similarly the small caps edged ahead, pushed up by the two bids, worth well in excess of £500m, for TLG and David Brown.

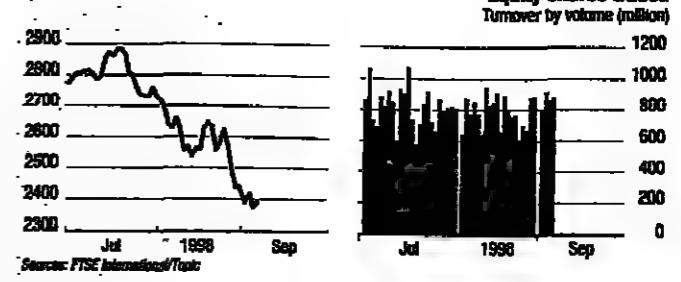
The FTSE SmallCap index gained 1.0 to 2,083.3, leaving that index 5.9 or 2.7 per cent lower over the week.

Natural resource shares performed well, reversing the steep losses affecting mining companies and oil stocks earlier in the week when oil and metal prices fell away.

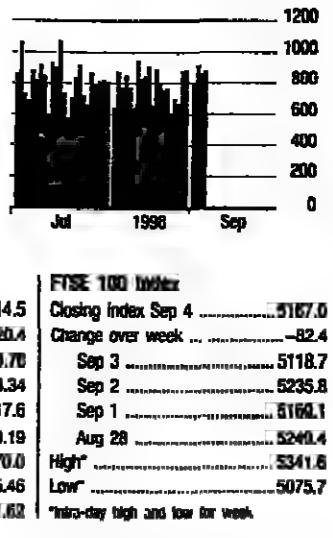
Shell, responding to its link-up with Texaco, was the best performer in the FTSE 100.

Volume was 887.1m shares by

## FTSE All-Share Index



Source: FTSE International/Tradex

Equity shares traded  
Turnover by volume (million)

FTSE 100 Index  
Closing Index Sep 4 5,167.0  
Change over week -82.4  
Sep 3 5,187.8  
Sep 2 5,185.8  
Sep 1 5,162.1  
Aug 28 5,169.8  
High 5,240.4  
Low 5,146.1  
10 yr Gyr yield 5.47  
Long gil/eqy yield 5.46  
10 yr Gyr yield 1.63  
1.02  
"Intra-day high and low for week"

## Equities and ratios

|                    | FTSE 250 | Close  | Day's | Day's | Change | High   | Low    | Int.  | Open Int. |
|--------------------|----------|--------|-------|-------|--------|--------|--------|-------|-----------|
| Resell Int'l       | 470      | 1.00   | -0.02 | -0.02 | -0.02  | 1.00   | 0.98   | 1,200 | 1,200     |
| AHIC               | 148      | 1.00   | -0.02 | -0.02 | -0.02  | 1.00   | 0.98   | 1,200 | 1,200     |
| Mar 2d & 3d        | 320      | +16%   | +5.4  | +5.4  | +5.4   | 320    | 314    | 1,200 | 1,200     |
| Classified         | 251      | +27%   | +8.1  | +8.1  | +8.1   | 251    | 243    | 1,200 | 1,200     |
| Brent Group        | 553.9    | +27%   | +8.1  | +8.1  | +8.1   | 553.9  | 545.8  | 1,200 | 1,200     |
| Financials         | 270      | +10%   | +2.8  | +2.8  | +2.8   | 270    | 267    | 1,200 | 1,200     |
| Marine Contracts   | 67       | +3%    | +1.8  | +1.8  | +1.8   | 67     | 65     | 1,200 | 1,200     |
| FT 30              | 3284.3   | +17.6  | +0.5  | +0.5  | +0.5   | 3284.3 | 3276.8 | 1,200 | 1,200     |
| FTSE Non-Fins p/e  | 10.41    | +20.19 | +0.00 | +0.00 | +0.00  | 10.41  | 10.31  | 1,200 | 1,200     |
| FTSE 100 Fin Sep   | 5175.0   | +70.0  | +0.00 | +0.00 | +0.00  | 5175.0 | 5170.0 | 1,200 | 1,200     |
| 10 yr Gyr yield    | 5.47     | +5.46  | +0.00 | +0.00 | +0.00  | 5.47   | 5.46   | 1,200 | 1,200     |
| Long gil/eqy yield | 5.46     | +5.46  | +0.00 | +0.00 | +0.00  | 5.46   | 5.45   | 1,200 | 1,200     |

FTSE 100 Index  
Closing Index Sep 4 5,167.0  
Change over week -82.4  
Sep 3 5,187.8  
Sep 2 5,185.8  
Sep 1 5,162.1  
Aug 28 5,169.8  
High 5,240.4  
Low 5,146.1  
10 yr Gyr yield 5.47  
Long gil/eqy yield 5.46  
10 yr Gyr yield 1.63  
1.02  
"Intra-day high and low for week"

## FTSE All-Share Index

## EQUITY FUTURES AND OPTIONS TRADING

The busiest stock option yesterday was Woolwich, where 1,000 lots were traded, writes Martin Brice.

The October 32p puts and calls each saw 500 lots traded. The puts were for 18p each and the calls for 20p as the stock gained 7 to 32p.

Standard Chartered at 33s lots were also a feature.

The FTSE 100 September

future opened at 5,130. It rarely ventured more than a dozen points from fair value, which is estimated at a premium to cash of 13 points.

Settlement was at 5,175, or 8 over cash.

The FTSE 250 September

option was 1,000 lots traded. The October 31p puts and calls each saw 500 lots traded. The puts were for 18p each and the calls for 20p as the stock gained 7 to 32p.

The Woolwich deal accounted for much of the total 6,000 lots traded in stock options. Other notable trades

also focused on financial stocks. HSBC saw nearly 1,000 lots traded. The October

31p puts and calls each saw 500 lots traded. The puts were for 18p each and the calls for 20p as the stock gained 7 to 32p.

The Woolwich deal accounted for much of the total 6,000 lots traded in stock options. Other notable trades

also focused on financial stocks. HSBC saw nearly 1,000 lots traded. The October

31p puts and calls each saw 500 lots traded. The puts were for 18p each and the calls for 20p as the stock gained 7 to 32p.

The Woolwich deal accounted for much of the total 6,000 lots traded in stock options. Other notable trades

also focused on financial stocks. HSBC saw nearly 1,000 lots traded. The October

31p puts and calls each saw 500 lots traded. The puts were for 18p each and the calls for 20p as the stock gained 7 to 32p.

The Woolwich deal accounted for much of the total 6,000 lots traded in stock options. Other notable trades

also focused on financial stocks. HSBC saw nearly 1,000 lots traded. The October

31p puts and calls each saw 500 lots traded. The puts were for 18p each and the calls for 20p as the stock gained 7 to 32p.

The Woolwich deal accounted for much of the total 6,000 lots traded in stock options. Other notable trades

also focused on financial stocks. HSBC saw nearly 1,000 lots traded. The October

31p puts and calls each saw 500 lots traded. The puts were for 18p each and the calls for 20p as the stock gained 7 to 32p.

The Woolwich deal accounted for much of the total 6,000 lots traded in stock options. Other notable trades

also focused on financial stocks. HSBC saw nearly 1,000 lots traded. The October

31p puts and calls each saw 500 lots traded. The puts were for 18p each and the calls for 20p as the stock gained 7 to 32p.

The Woolwich deal accounted for much of the total 6,000 lots traded in stock options. Other notable trades

also focused on financial stocks. HSBC saw nearly 1,000 lots traded. The October

31p puts and calls each saw 500 lots traded. The puts were for 18p each and the calls for 20p as the stock gained 7 to 32p.

The Woolwich deal accounted for much of the total 6,000 lots traded in stock options. Other notable trades

also focused on financial stocks. HSBC saw nearly 1,000 lots traded. The October

31p puts and calls each saw 500 lots traded. The puts were for 18p each and the calls for 20p as the stock gained 7 to 32p.

The Woolwich deal accounted for much of the total 6,000 lots traded in stock options. Other notable trades

also focused on financial stocks. HSBC saw nearly 1,000 lots traded. The October

31p puts and calls each saw 500 lots traded. The puts were for 18p each and the calls for 20p as the stock gained 7 to 32p.

The Woolwich deal accounted for much of the total 6,000 lots traded in stock options. Other notable trades

also focused on financial stocks. HSBC saw nearly 1,000 lots traded. The October

31p puts and calls each saw 500 lots traded. The puts were for 18p each and the calls for 20p as the stock gained 7 to 32p.

The Woolwich deal accounted for much of the total 6,000 lots traded in stock options. Other notable trades

also focused on financial stocks. HSBC saw nearly 1,000 lots traded. The October

31p puts and calls each saw 500 lots traded. The puts were for 18p each and the calls for 20p as the stock gained 7 to 32p.

The Woolwich deal accounted for much of the total 6,000 lots traded in stock options. Other notable trades

also focused on financial stocks. HSBC saw nearly 1,000 lots traded. The October

31p puts and calls each saw 500 lots traded. The puts were for 18p each and the calls for 20p as the stock gained 7 to 32p.

The Woolwich deal accounted for much of the total 6,000 lots traded in stock options. Other notable trades

also focused on financial stocks. HSBC saw nearly 1,000 lots traded. The October

31p puts and calls each saw 500 lots traded. The puts were for 18p each and the calls for 20p as the stock gained 7 to 32p.

The Woolwich deal accounted for much of the total 6,000 lots traded in stock options. Other notable trades

also focused on financial stocks. HSBC saw nearly 1,000 lots traded. The October

31p puts and calls each saw 500 lots traded. The puts were for 18p each and the calls for 20p as the stock gained 7 to 32p.

The Woolwich deal accounted for much of the total 6,000 lots traded in stock options. Other notable trades

also focused on financial stocks. HSBC saw nearly 1,000 lots traded. The October

31p puts and calls each saw 500 lots traded. The puts were for 18p each and the calls for 20p as the stock gained 7 to 32p.

The Woolwich deal accounted for much of the total 6,000 lots traded in stock options. Other notable trades

also focused on financial stocks. HSBC saw nearly 1,000 lots traded. The October

31p puts and calls each saw 500 lots traded. The puts were for 18p each and the calls for 20p as the stock gained 7 to 32p.

The Woolwich deal accounted for much of the total 6,000 lots traded in stock options. Other notable trades

also focused on financial stocks. HSBC saw nearly 1,000 lots traded. The October

31p puts and calls each saw 500 lots traded. The puts were for 18p each and the calls for 20p as the stock gained 7 to 32p.

The Woolwich deal accounted for much of the total 6,000 lots traded in stock options. Other notable trades

also focused on financial stocks. HSBC saw nearly 1,000 lots traded. The October

## **LONDON SHARE SERVICE**





150

# Banks and bonds take Wall St down

## AMERICAS

US shares moved lower in early trading as investors prepared for the long Labor Day weekend and as bond prices improved, writes *John Lippman* in New York.

"The banks are leading the way down," said Warren Epstein, director of trading at Richard Rosenblatt & Co in New York. He added that the breadth of the market in general looked promising, with advancing stocks still ahead of declining ones, and expected the market could attempt a rally towards the end of the session.

The lacklustre tone was unusual in light of the recent wild swings. Volumes was moderate. US stock and bond markets will be closed on Monday.

By early afternoon the Dow Jones Industrial Average was down 35.27 to 7,646.98, while the broader Standard & Poor's 500 index fell 8.25 at 747.01.

Financial shares stayed under pressure as investors continued to assess the impact of overseas market turmoil on US corporate earnings. On Thursday Lehman Brothers became the latest brokerage firm to report losses due to emerging markets. Yesterday Lehman shares were more stable, down 5% to 37.37 after Thursday's 9 per cent slide.

Banking shares continued to fall, with the banking index of the Philadelphia Stock Exchange down 3.8 per cent to 237.85. Chase Manhattan was down almost 7 per cent to \$45%.

The Nasdaq composite fell 4.58 at 1,567.28. But the Rus-

sell 2000 of small company shares climbed 1.17 to 347.46.

Shares of Pfizer were 604 down 54¢ after Morgan Stanley Dean Witter cut its rating to "neutral".

TORONTO pushed higher, supported mostly by a strong opening for gold shares, which met with solid demand on the back of an uptick for the bullion price.

Barrick Gold rose C\$1.20 to C\$49.60 and Places Done gained 90 cents to C\$16.35.

It was one of the best sector gains of the morning and it helped lift the 300 composite index by 55.52 to 6,767.70 at the noon count.

In metals, Cominco improved C\$1.25 to C\$17.25. Banks were mixed. Royal Bank of Canada added 10 cents to C\$66.00, but Canadian Imperial shed 26 cents to C\$28.75 and Toronto-Dominion lost C\$1.30 at C\$61.

SAO PAULO moved lower as the latest Moody's downgrade for Brazilian debt sparked a fresh wave of foreign selling.

Blue chips fell steeply and the benchmark Bovespa index was off 315 or 3.1 per cent at 10,424.91, writes *Gillian Tett* in Tokyo.

The fall left the benchmark which traded between 14,043.91 and 14,186.86 during the day, just above the 14,000 level that the market fell through earlier this week amid a broader global equity slide.

Analysts warned that the decline was triggered by mounting concern that the country's deep-seated financial problems were now feeding through to the "real" economy - and, above all, to the corporate sector. Topix, the broadest stock market indicator, fell 1.73 per cent to 1,094.47.

These fears were fuelled by news on Thursday that

Topix steel planned to liquidate itself with Y264bn debts.

NKK, Japan's second largest steel maker, said it

would establish a new group to take over Topix's liabilities.

The news pulled down the

share price of a number of steel companies: NKK fell

15 to Y96 after becoming the most heavily traded

## PROFILE

## Bad week for the guru of emerging markets

But the resilient Mark Mobius invokes the rubber-band theory of investing and expects to bounce back, writes Jane Martinson

**H**is face may have launched a thousand funds, but now he could be excused for putting his head in his hands.

Mark Mobius, known as Mr Emerging Markets to thousands of international investors, has had a bad week. Indeed, the year to date has been worse than any other he can remember, including 1987, when he launched the Templeton series of emerging markets funds just before a stock market crash.

"This time around it really is a big crisis," the 62-year-old American said from Hong Kong this week.

The emerging markets funds managed by Mr Mobius have fallen in value from \$15bn to just over \$10bn in the past 12 months, hit mainly by the continuing turmoil in Asia.

In the year to August, his flagship fund, the \$3bn (\$1.8bn) New York-listed Templeton Developing Markets Trust, fell 37 per cent, according to Lipper Analytical.

His \$70m Russia fund fared worse. Even with 30 per cent of its funds in cash, it still fell 49 per cent in the three months to June 30. Overall, funds in the Templeton Emerging Markets stable now hold 26 per cent of their assets in cash, the highest proportion ever.

Sharp market declines are not the main cause of complaint for emerging markets fund managers, however. Of greater concern are the rapidly changing rules in markets such as Russia and Malaysia which prevent foreign investors from withdrawing funds in hard currency.

This has sparked a corresponding crisis in confidence among investors who expected volatility but not what they regard as theft.

"We are now getting back to the era of expropriation of funds," says Mr Mobius. "This is the worst nightmare you can imagine for any investor."

In these circumstances, he does not expect his continuing faith in most of the 45 markets in which he invests to be widely shared. He says: "It won't get better yet, because there is a crisis in confidence and fundamentals don't mean anything... people are saying 'I don't want any part of this at any price'."

In spite of this, Templeton Investors, institutional and retail, have stayed remarkably loyal. Some \$100m of new money, mainly institutional, has flowed into the funds since the start of the year.

Mr Mobius, whose bald head and dedicated demeanour lend him the air of a guru, hopes investors will

continue to listen to his warnings that his funds invest for the long term.

He is, however, critical of the world's multilateral institutions as well as national governments. The Russian authorities have lost the trust of international investors, but the world's financial institutions should never have lent money without checking adequate investor safeguards were in place, he says.

Now he thinks international agencies are in danger of applying lending restrictions that are too tight on financial institutions in struggling economies. "You don't squeeze somebody when they are on their back," he says.

"At this point you've got to keep the patient alive." He attributes the failure of international institutions to deal with the crisis in part to the lack of staff with market experience in organisations such as the International Monetary Fund.

These recent travails all seem a far cry from the early part of this decade where emerging markets appeared to offer all the excitement, glamour and returns any investor could want.

Mr Mobius, a bachelor who looked like a stocky Yul Brynner and spent 11 months every year flying around the world, became

an investment banker in 1994.

He remembers a conference in 1994. "Mobius arrived late, having just hopped off his private aeroplane, wearing a white suit. It was fantastic - he looked like something out of Hollywood."

Mr Mobius's life before achieving this near-cut cult status also appears straight out of a boy's adventure story.

Brought up in Germany, parents three years before the outbreak of the second world war, he has kept his German passport.

After gaining a doctorate in economics and political science at the Massachusetts Institute of Technology, he worked for a research organisation in South Korea and Thailand.

He fell in love with Asia and spent the next 20 years

working there, first for Monsanto. When the life sciences company wanted to ship him back to the US, he launched his own consultancy.

He won a host of awards in the early 1990s as his funds provided spectacular returns.

Reviewers of his book, *Mobius on Emerging Markets*, published three years ago, called him the "reigning king of emerging market funds" and the "Indiana Jones of investing".

His face peers out of newspaper advertisements for his funds, while one particularly memorable television campaign in the US used Mobius in a spoof of *The King and I*, in which he enthuses about the value to be found in far-away places.

One investment banker remembers a conference in 1994. "Mobius arrived late, having just hopped off his private aeroplane, wearing a white suit. It was fantastic - he looked like something out of Hollywood."

A breakfast with the FT during a fleeting visit to London last year enhanced the guru image.

Sitting in one of the capital's gilded hotels surrounded by half a dozen

younger men, he ate fruit and spoke of the bargains he found if only one was prepared to seek them.

His exotic image does not prevent him from being amenable, however. He inspires loyalty from his acolytes and comes across as a reasonable man. "The image of Mark Mobius as a one-man show is fallacious," he says, crediting

a team of 30 "bright and

enthusiastic" fund managers around the world.

He also admits to some mistakes and shows humility.

"It would have been wonderful if we had waited before buying more [in Asia]. We always buy too early and sell too early.

That's the history of us."

Mr Mobius, who invests his own money in his funds, says you have to be an optimist to invest in emerging markets.

He remains upbeat about all markets where he invests, except Russia and

Malaysia: "We are in this tremendous crisis and it's a wonderful time for us to find bargains." He is keen on Brazil, Argentina, Mexico, Thailand, Singapore and Turkey and a host of sectors.

"The great thing about travelling to these countries is that you meet the people and realise there is every reason to be optimistic," he says. But he tells investors to approach bargains "like a porcupine makes love" - with great care.

Michael Lipper, head of Lipper Analytical, says:

"Mobius is performing exactly as I would have expected him to. He is a battle-trained veteran of declines."

After the 1987 crash, it

took two years for the emerging markets fund Mr Mobius managed to bounce back, and this pattern could be repeated. Even the optimist, he also speaks of the "rubber band-theory" of investing.

"The further back it comes, the further it bounces the other way," he says.

enthused

around the world", he said.

Shares in TLG rose 17p to 166.4p - above the 160p offer price - prompting speculation that another bidder might be waiting in the wings. However, most analysts said that Wassall, the acquisitive industrial conglomerate that has built up a stake of more than 10 per cent in the business, was unlikely to bid. "Any other interest is most likely to come from the US," said one.

John Riley, chairman and chief executive of Cooper, said buying TLG - the second biggest participant in the European market after Phillips - would help it build a global lighting business.

"Over five to seven years we have built up a significant position in the north American market," he said. "Now we see the opportunity to do essentially the same thing in Europe."

Mr Riley said that UK stocks were a good bargain for US companies at the moment and he did not rule out further acquisitions in Europe. "We are always

looking for acquisitions around the world", he said.

TLG has carried out plant closures in an attempt to tackle over-capacity. Mr Riley said the group had done a "very good job" and gone some way towards rationalisation but admitted there could be further changes. He said it was too early to predict how many jobs might be lost.

One analyst said the two deals were part of a "steady trickle" of similar deals.

"These are good companies suffering from the strength of sterling and generally unloved by the stock exchange," he said. "With share prices as weak as they are I would not be at all surprised to see more deals of this nature taking place."

Cooper's offer is at a premium of 45 per cent to the closing price of TLG shares the day before it announced it was in talks. It represents a multiple of 32.5 times earnings after exceptional items for the year to March 31.

TLG was advised by Dresdner Kleinwort Benson and Cooper by Warburg Dillon Read.

in the European lighting industry which is suffering from over-capacity.

US corporate buyers yesterday continued their bargain hunting in the UK with two smaller companies accepting cash bids.

Cooper Industries, the Houston-based lighting group, said it was buying its British counterpart, TLG, for \$321m (\$330m), while industrial group Textron of Rhode Island announced a bid for David Brown, the gears and pumps business, for \$185m.

Analysts said the two agreed deals highlighted the vulnerability of small UK engineering and electronics companies - rocked by the strength of sterling and fears of an economic slowdown.

Andrew Bryant, with BT Alex Brown, said focused businesses with clear product lines looked cheap to US buyers. "There is a long list of US companies on their way over here looking to buy new arms for their businesses," he said.

The bid for TLG - the former Thorn Lighting Group, bought from Thorn EMI by its management in 1994 - is part of a wider consolidation

in the European lighting industry which is suffering from over-capacity.

Shares in TLG rose 17p to 166.4p - above the 160p offer price - prompting speculation that another bidder might be waiting in the wings. However, most analysts said that Wassall, the acquisitive industrial conglomerate that has built up a stake of more than 10 per cent in the business, was unlikely to bid. "Any other interest is most likely to come from the US," said one.

John Riley, chairman and chief executive of Cooper, said buying TLG - the second biggest participant in the European market after Phillips - would help it build a global lighting business.

"Over five to seven years we have built up a significant position in the north American market," he said. "Now we see the opportunity to do essentially the same thing in Europe."

Mr Riley said that UK stocks were a good bargain for US companies at the moment and he did not rule out further acquisitions in Europe. "We are always

looking for acquisitions around the world", he said.

TLG has carried out plant closures in an attempt to tackle over-capacity. Mr Riley said the group had done a "very good job" and gone some way towards rationalisation but admitted there could be further changes. He said it was too early to predict how many jobs might be lost.

One analyst said the two deals were part of a "steady trickle" of similar deals.

"These are good companies suffering from the strength of sterling and generally unloved by the stock exchange," he said. "With share prices as weak as they are I would not be at all surprised to see more deals of this nature taking place."

Cooper's offer is at a premium of 45 per cent to the closing price of TLG shares the day before it announced it was in talks. It represents a multiple of 32.5 times earnings after exceptional items for the year to March 31.

TLG was advised by Dresdner Kleinwort Benson and Cooper by Warburg Dillon Read.

in the Far East this is a robust performance.

The decline in Asia, which represented 20 per cent of revenues last year, was partly offset by buoyant conditions in the US and expanding instrument sales to Spain and Italy. "Our strong brands have helped us to diversify sales out of Asia and into other markets with relative speed," he said.

Operating profits from the instrument division rose by 10 per cent to \$43.7m.

Richard Holland, chief executive, said Asian turnover had cost about 15m in lost sales and he promised further retrenchment of the group's activities in Japan. Currency translation had shaved a further \$300m off operating profits.

"Excluding special costs, rationalisation costs and the impact of translation, the profit before tax would have been 14 per cent higher," he said. "Given the weakness of

the Far East this is a robust performance.

The decline in Asia, which represented 20 per cent of revenues last year, was partly offset by buoyant conditions in the US and expanding instrument sales to Spain and Italy. "Our strong brands have helped us to diversify sales out of Asia and into other markets with relative speed," he said.

Operating profits from the instrument division rose by 10 per cent to \$43.7m.

Richard Holland, chief executive, said Asian turnover had cost about 15m in lost sales and he promised further retrenchment of the group's activities in Japan. Currency translation had shaved a further \$300m off operating profits.

"Excluding special costs, rationalisation costs and the impact of translation, the profit before tax would have been 14 per cent higher," he said. "Given the weakness of

the Far East this is a robust performance.

The decline in Asia, which represented 20 per cent of revenues last year, was partly offset by buoyant conditions in the US and expanding instrument sales to Spain and Italy. "Our strong brands have helped us to diversify sales out of Asia and into other markets with relative speed," he said.

Operating profits from the instrument division rose by 10 per cent to \$43.7m.

Richard Holland, chief executive, said Asian turnover had cost about 15m in lost sales and he promised further retrenchment of the group's activities in Japan. Currency translation had shaved a further \$300m off operating profits.

"Excluding special costs, rationalisation costs and the impact of translation, the profit before tax would have been 14 per cent higher," he said. "Given the weakness of

the Far East this is a robust performance.

The decline in Asia, which represented 20 per cent of revenues last year, was partly offset by buoyant conditions in the US and expanding instrument sales to Spain and Italy. "Our strong brands have helped us to diversify sales out of Asia and into other markets with relative speed," he said.

Operating profits from the instrument division rose by 10 per cent to \$43.7m.

Richard Holland, chief executive, said Asian turnover had cost about 15m in lost sales and he promised further retrenchment of the group's activities in Japan. Currency translation had shaved a further \$300m off operating profits.

"Excluding special costs, rationalisation costs and the impact of translation, the profit before tax would have been 14 per cent higher," he said. "Given the weakness of

the Far East this is a robust performance.

The decline in Asia, which represented 20 per cent of revenues last year, was partly offset by buoyant conditions in the US and expanding instrument sales to Spain and Italy. "Our strong brands have helped us to diversify sales out of Asia and into other markets with relative speed," he said.

Operating profits from the instrument division rose by 10 per cent to \$43.7m.

Richard Holland, chief executive, said Asian turnover had cost about 15m in lost sales and he promised further retrenchment of the group's activities in Japan. Currency translation had shaved a further \$300m off operating profits.

"Excluding special costs, rationalisation costs and the impact of translation, the profit before tax would have been 14 per cent higher," he said. "Given the weakness of

the Far East this is a robust performance.

The decline in Asia, which represented 20 per cent of revenues last year, was partly offset by buoyant conditions in the US and expanding instrument sales to Spain and Italy. "Our strong brands have helped us to diversify sales out of Asia and into other markets with relative speed," he said.

Operating profits from the instrument division rose by 10 per cent to \$43.7m.

Richard Holland, chief executive, said Asian turnover had cost about 15m in lost sales and he promised further retrenchment of the group's activities in Japan. Currency translation had shaved a further \$300m off operating profits.

"Excluding special costs, rationalisation costs and the impact of translation, the profit before tax would have been 14 per cent higher," he said. "Given the weakness of</

## COMPANIES &amp; FINANCE

## FINANCIAL SERVICES OFFERING TO FUND FURTHER DEVELOPMENT OF DIVISION'S BANKING ACTIVITIES

## Fortis Dutch arm plans Fl 4bn share offer

By Neil Buckley in Brussels

The Dutch arm of Fortis, the Belgio-Dutch financial services group that earlier this year beat ABN Amro in a bidding battle for Générale de Banque, Belgium's leading bank, is launching a Fl 4bn (\$206bn) share offer to fund further development of its banking activities.

The news came as the insurance and banking group announced a 34 per cent increase in pro forma

first-half net profits from Ecu600m to Ecu886m (\$76bn), after consolidating Générale de Banque's results. Générale said first-half profits increased 10.8 per cent to Fl 90.4bn (\$253m).

Floris Amey, the Dutch arm, said it would offer about 31.5m shares, on the basis of its closing Amsterdam share price on Thursday of Fl 123, market conditions permitting.

That would boost its share capital by 14.6 per cent. It

would also rebalance Fortis's Belgian and Dutch arms - after the Générale acquisition was made by the Belgian unit - raising Fortis Amey's economic weight within the group by 3.7 percentage points to 37.8 per cent.

A public offering in the Netherlands, targeting retail and institutional investors, would be accompanied by a private international offer to institutions.

The prospectus would be

issued on September 21, when bookbuilding would start, with the price and allocation set before market opening on October 5.

Proceeds would fund the acquisition from the Belgian state of the 25.1 per cent of ASLK-CGER, Belgium's fourth largest bank, that Fortis does not own. They would also increase solvency through refinancing short-term loans, such as those to finance the cash part of the Générale bid.

The Belgian government has already passed legislation clearing the way for Fortis to buy the remainder of formerly state-owned ASLK-CGER - part of Fortis's plan to develop its banking business.

German Verwilt, head of Fortis' banking arm, said work was under way on integrating ASLK-CGER and Générale more closely, with detailed plans due in six to eight weeks. He added that Fortis was pursuing several

smaller acquisitions. Pro-forma operating profits increased 18 per cent to Ecu1.25bn, with insurance operating profits up 6 per cent to Ecu394m and banking up 24 per cent at Ecu63m.

The group made an extraordinary Ecu258m gain on the reduction of its stake in a German business, which was offset set by Ecu36m added to provisions for low-interest risks in the life insurance business.

## Drott flotation placed in doubt

By Tim Burt in Stockholm

"This puts a question mark over the whole strategy outlined in our prospectus and has come as a complete surprise," said one adviser.

Drott, which has property assets worth about Skr3.5bn, is weighted mainly toward residential property, while Näckebro is more exposed to the commercial sector.

Näckebro said it was paying Skr1.07bn for 46 per cent of the voting rights and 10.7 per cent of the share capital in Drott, formerly a wholly owned subsidiary of construction group Skanska.

The surprise move raised the prospect of a full-scale merger to create Scandinavia's biggest real estate company, and in effect derailed Drott's stated strategy of pursuing acquisitions itself in residential and commercial property.

Lehmann Schöning, Näckebro chief executive, said: "Our aim is to merge the companies. We would like it to be a friendly deal to create a combined portfolio of Skr1.5bn."

He also said Näckebro would be nominating a new chairman and non-executive directors at Drott. Senior executives and advisers at Drott reacted with dismay to news of the transaction and yesterday hurriedly arranged a meeting between Mr Schöning and Mats Mared, Drott chief executive.

In the first half of this year, Drott reported underlying profits up from Skr335m to Skr357m on increased rental revenues of Skr45m, against Skr627m last time.

## Japanese chipmakers light the fuse

Semiconductor groups are at last starting to restructure, writes Alexandra Harvey

It was a week of reckoning for Japan's semiconductor producers. In the space of days, Hitachi, the country's biggest electronics maker, forecast that its semiconductor division would drag the group into its first-ever losses, while news of Japanese chip plant closures came thick and fast.

These desperate measures by Japan's semiconductor producers are attempts to wriggle out of dire straits, but it remains to be seen if these decisions are the opening act of the shakeout analysts say the industry needs.

Fujitsu's closure of its UK chip assembly plant in County Durham is the first time the group has shut down a semiconductor factory. Earlier this week, Mitsubishi Electric, another top Japanese chipmaker, shut down its semiconductor plant in the US while Hitachi said it was merging its two semiconductor units in the US.

"It is a sign that the real state of things is very bad," said Takatoshi Yamamoto, electronics analyst at Morgan Stanley in Tokyo, of the Hitachi profits warning.

Restructuring plans unveiled this week have been a long time coming, say analysts. Japanese chipmakers, which account for about 30 per cent of global

semiconductor output, have been squeezed by the rapid expansion of supply, just as demand has fallen.

Excess capacity - analysts estimate supply exceeds demand by as much as 20 per cent - has contributed to a collapse in prices, especially of dynamic random access memory (DRAM).

Japan's weak currency has only exacerbated the problem. In May, the value of DRAM shipments had plummeted 61 per cent compared with the year before, according to Morgan Stanley Dean Witter. Prices of 64-megabyte DRAMs have plunged 70 per cent in the last year, Fujitsu said. It sold 16-megabyte DRAMs for \$45 in 1993; they now sell for \$1.50.

The deterioration in the market prompted several US chipmakers to quit DRAMs. But Japanese producers, plagued by poor performance from their consumer and industrial electronics divisions, were busy trying to cut losses elsewhere.

Hitachi, for example, expects its information products division to record losses of Yen10.5bn (\$550m-\$565m) this year.

Analysts blame overdiversification. "These companies cannot distinguish between their core and non-core businesses. They have their hands in everything, from

washing machines to semiconductors. Naturally, they are totally different industries," said Yoshiharu Izumi, industry analyst at Warburg Dillon Read.

Ironically, diversification kept Japanese electronics groups profitable in the past. Companies offset losses in semiconductors with strong sales in industrial machinery or air conditioners. But the downturn in domestic consumer demand lowered sales. As semiconductor inventories swelled, nearly every company in the industry - except NEC and Toshiba - recorded losses in their chip divisions.

Companies responded by slashing production and capital expenditures and introducing tentative restructuring proposals. Salomon Smith Barney estimates that Japanese chipmakers' capital spending will shrink 26 per cent this year to Y540bn, 60 per cent below its peak in 1995. Although the moves made this week marked the most significant restructuring to date, analysts said it was too little too late.

"It is like the bad-loan problem at Japanese banks - companies have simply put off these problems for too long. Hitachi has moved people around from division to division to compensate for poor performance, but the financial situation has deteriorated everywhere now," said Warburg Dillon Read's Mr Izumi.

The problem is that in Japan, and particularly at companies with long histories, the mentality is that to withdraw from a certain industry is shameful," said Mr Izumi.

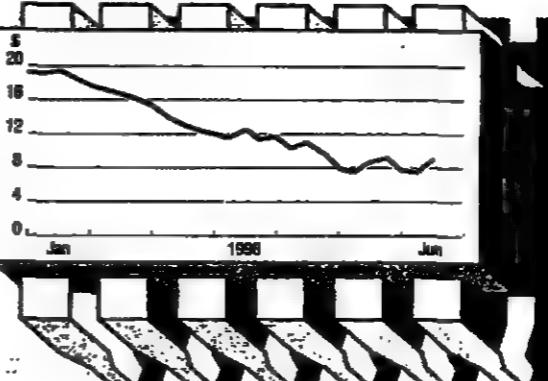
This resistance to firing workers, embedded in Japanese corporate culture, would stymie attempts at reform, analysts said.

In addition, companies needed DRAM and other semiconductor technology to support research and development of other products, and cash-strapped electronic groups could not afford to outsource these operations.

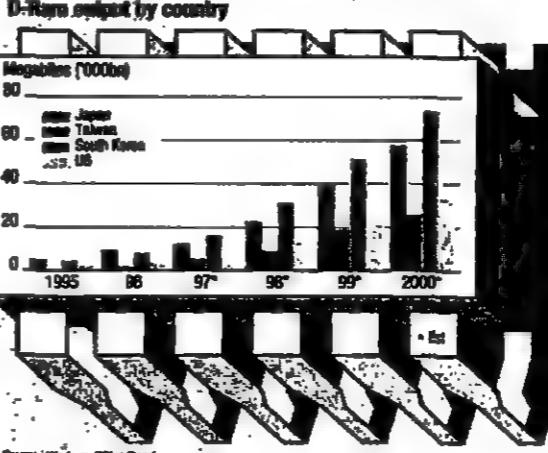
But it is too early to count Japanese semiconductor makers out. Analysts expect an improvement in chip prices as early as 2000 and an eventual recovery in global demand. NEC, Tosh

## Silicon surplus

Eds 64Mb DRAM spot price



DRAM output by country



iba and Fujitsu have already begun to consolidate operations through strategic alliances and focusing on developing high value-added technologies. The true test will be whether the industry can take the painful steps necessary to finish what it has started.

See box

## Lufthansa shelves plan for low-cost domestic service

Lufthansa, the German airline, has shelved plans for a low-cost airline could be used on routes not using the Munich and Frankfurt hubs. But insufficient traffic volumes, as well as the lack of low-price airports similar to the UK's Luton or Stansted bases, made the service unviable. However, Mr Weber said: "The new business system is something that we will eventually need in the future, when we can put it on an economic basis."

## FT/S&amp;P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Gosselin, Salter & Co. and Standard & Poor's. The Indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries.

NATIONAL AND REGIONAL INDICES

| Country        | US<br>Dollar<br>Index | Days<br>of<br>charge<br>% | Pound<br>Sterling<br>Index | Yen<br>Index | DM<br>Index | Local<br>Index | Rate<br>of<br>yield | INTEREST RATES 1998  |  | DOLLAR INDEX |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |   |
|----------------|-----------------------|---------------------------|----------------------------|--------------|-------------|----------------|---------------------|--|--|--------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|---|
|                |                       |                           |                            |              |             |                |                     | 1st<br>2nd<br>3rd<br>4th<br>5th<br>6th<br>7th<br>8th<br>9th<br>10th<br>11th<br>12th<br>13th<br>14th<br>15th<br>16th<br>17th<br>18th<br>19th<br>20th<br>21st<br>22nd<br>23rd<br>24th<br>25th<br>26th<br>27th<br>28th<br>29th<br>30th<br>31st<br>32nd<br>33rd<br>34th<br>35th<br>36th<br>37th<br>38th<br>39th<br>40th<br>41st<br>42nd<br>43rd<br>44th<br>45th<br>46th<br>47th<br>48th<br>49th<br>50th<br>51st<br>52nd<br>53rd<br>54th<br>55th<br>56th<br>57th<br>58th<br>59th<br>60th<br>61st<br>62nd<br>63rd<br>64th<br>65th<br>66th<br>67th<br>68th<br>69th<br>70th<br>71st<br>72nd<br>73rd<br>74th<br>75th<br>76th<br>77th<br>78th<br>79th<br>80th<br>81st<br>82nd<br>83rd<br>84th<br>85th<br>86th<br>87th<br>88th<br>89th<br>90th<br>91st<br>92nd<br>93rd<br>94th<br>95th<br>96th<br>97th<br>98th<br>99th<br>100th | 1st<br>2nd<br>3rd<br>4th<br>5th<br>6th<br>7th<br>8th<br>9th<br>10th<br>11th<br>12th<br>13th<br>14th<br>15th<br>16th<br>17th<br>18th<br>19th<br>20th<br>21st<br>22nd<br>23rd<br>24th<br>25th<br>26th<br>27th<br>28th<br>29th<br>30th<br>31st<br>32nd<br>33rd<br>34th<br>35th<br>36th<br>37th<br>38th<br>39th<br>40th<br>41st<br>42nd<br>43rd<br>44th<br>45th<br>46th<br>47th<br>48th<br>49th<br>50th<br>51st<br>52nd<br>53rd<br>54th<br>55th<br>56th<br>57th<br>58th<br>59th<br>60th<br>61st<br>62nd<br>63rd<br>64th<br>65th<br>66th<br>67th<br>68th<br>69th<br>70th<br>71st<br>72nd<br>73rd<br>74th<br>75th<br>76th<br>77th<br>78th<br>79th<br>80th<br>81st<br>82nd<br>83rd<br>84th<br>85th<br>86th<br>87th<br>88th<br>89th<br>90th<br>91st<br>92nd<br>93rd<br>94th<br>95th<br>96th<br>97th<br>98th<br>99th<br>100th |              |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |   |
| Australia (72) | 108.08                | -0.0                      | 140.00                     | 143.67       | 151.47      | 103.28         | 0.0                 | 101.00   | 100.94   | 101.31       | 102.05 | 102.85 | 103.50 | 104.25 | 104.90 | 105.55 | 106.20 | 106.85 | 107.50 | 108.20 | 108.85 | 109.50 | 110.15 | 110.80 | 111.45 | 112.10 | 112.75 | 113.40 | 114.05 | 114.70 | 115.35 | 116.00 | 116.65 | 117.30 | 117.95 | 118.60 | 119.25 | 119.90 | 120.55 | 121.20 | 121.85 | 122.50 | 123.15 | 123.80 | 124.45 | 125.10 | 125.75 | 126.40 | 127.05 | 127.70 | 128.35 | 129.00 | 129.65 | 130.30 | 130.95 | 131.60 | 132.25 | 132.90 | 133.55 | 134.20 | 134.85 | 135.50 | 136.15 | 136.80 | 137.45 | 138.10 | 138.75 | 139.40 | 139.95 | 140.60 | 141.25 | 141.90 | 142.55 | 143.20 | 143.85 | 144.50 | 145.15 | 145.80 | 146.45 | 147.10 | 147.75 | 148.40 | 149.05 | 149.70 | 150.35 | 151.00 | 151.65 | 152.30 | 1 |

Weekend September 5/September 6 1998

US REGULATOR OPENS WAY FOR MARKET SHAKE-UP

## Electronic trading of bond futures approved

By Edward Lucas and Paul Solman

The Commodity Futures Trading Commission, the regulator of America's derivatives exchanges, yesterday approved the creation of the first electronic exchange to trade futures in US Treasury bonds.

The move was greeted with dismay by the Chicago Board of Trade, the world's largest futures market, which is based on "open outcry" floor trading.

The launch of the electronic exchange is expected to lead to a shake-up in the US fixed income derivatives market. It comes as futures exchanges in Europe and the US are under pressure to replace their pit-based trading with cheaper, electronic systems.

The new exchange, which begins trading next Tuesday, is a joint venture between Cantor Fitzgerald, the largest broker of US Treasury cash bonds, and the New York Cotton Exchange, recently renamed the New York Board of Trade. The DTB attributed its success to

screen-based trading being much cheaper and easier to execute than floor trading. Liffe plans to adopt a permanent daytime electronic trading platform next year.

"The board of trade has lost all confidence in the credibility and objectivity of the CFTC," said Tom Donovan, CBOT president. He said the CBOT was "exploring all remedies", including suing the CFTC or challenging its re-authorization as a regulatory agency, due for renewal next year.

Privately, many in Chicago are worried that the Cantor exchange could undercut the CBOT's more expensive floor trading system. Last year the Deutsche Terminbörse, Germany's derivatives exchange, won majority market share in the 10-year German bond future from the London International Financial Futures and Options Exchange, which operated as an exclusive floor-based trading system. The DTB attributed its success to

retirement allowances and valuation losses on securities holdings. The group suspended its interim dividend for a second year.

NKK, the number two steelmaker, which is expected to suffer losses of ¥80bn this year as a result of the Toa Liquids' collapse, said net losses would reach ¥93bn, compared with profits of ¥143bn last time. Kobe Steel warned of a ¥4.8bn loss and announced executive pay cuts of about 30 per cent and the cancellation of its half-year dividend. It plans to step up restructuring by consolidating production and cutting staff numbers at its head office.

Kawasaki Steel and Sumitomo Metal both revised their earnings forecasts downward into the red, blaming weak demand in Asia and Japan. Kawasaki expected net losses of ¥81bn, while Sumitomo said it would post a ¥100bn loss. The bad news badly hurt stock prices, but analysts said

there were few surprises. Global overcapacity has lowered steel prices in recent years, just as demand has collapsed in Japan and elsewhere in Asia with the sharp decline in the construction and car sectors.

Japanese steelmakers have scrambled to cut costs and production to keep pace with falling demand. In July, domestic shipment volume shrank 18 per cent from the year before, according to Morgan Stanley Dean Witter in Tokyo.

Analysts said overcapacity would continue to plague the market this year, despite the contraction in output from 10.8m to 8.6m tonnes. Smaller producers, in particular electric furnace makers, were likely to be the hardest hit, analysts said.

"The market shows the characteristics of over-competition. Everyone is losing money," said Toru Nagai, industry analyst at Morgan Stanley Dean Witter.

The profit warnings came just after the US International Trade Commission called for anti-dumping duties on stainless steel wire rod produced by six countries including Japan - US steelmakers had filed a complaint about this earlier this week - and iron and steel sector shares plunged 5.8 per cent on the news.

Nippon Steel, the world's largest steelmaker, forecast an after-tax loss of ¥160m-¥250m, compared with a ¥165bn (¥440m) profit last year. This is largely because of a decline in sales volume, the costs of

retirement allowances and valuation losses on securities holdings. The group suspended its interim dividend for a second year.

NKK, the number two steelmaker, which is expected to suffer losses of ¥80bn this year as a result of the Toa Liquids' collapse, said net losses would reach ¥93bn, compared with profits of ¥143bn last time.

Kobe Steel warned of a ¥4.8bn loss and announced executive pay cuts of about 30 per cent and the cancellation of its half-year dividend. It plans to step up restructuring by consolidating production and cutting staff numbers at its head office.

Kawasaki Steel and Sumitomo Metal both revised their earnings forecasts downward into the red, blaming weak demand in Asia and Japan. Kawasaki expected net losses of ¥81bn, while Sumitomo said it would post a ¥100bn loss.

The bad news badly hurt stock prices, but analysts said

## U2 to sign \$50m deal for archive recordings

By Alice Rawsthorn

U2, one of the world's most successful rock groups, has reached one of the most lucrative deals in the music industry, with PolyGram, its record company, which is expected to earn the band more than \$30m in advances.

Cantor yesterday said the exchange would levy trading fees at about half the rate charged by the CBOT. The cost of becoming an associate member of the exchange would be \$1,000 - a fraction of the rate charged by the CBOT, it said.

The exchange will offer futures contracts on the 30-year Treasury bond and also on the 10, five and two-year maturities. The CBOT's 30-year Treasury future is the world's most heavily traded derivatives contract.

The CBOT said plans to link its own electronic trading system with the Eurex system - the product of a merger between the DTB and Sofex, the Swiss exchange - next year remained on track. But the DTB also remained committed to keeping open outcry.

There is no need to panic; the bull market is alive and well. As long as you are looking at bonds, not equities, that is. Their haven status has propelled the big US and European bond markets to giddy new levels over the past few weeks. How much further can this go?

The rally has been underpinned by a dramatic narrowing of inflation expectations over the past year. The spread between 10-year Treasuries, yielding 5.05 per cent, and equivalent inflation-protected TIPS is now a measty 125 basis points - though that also reflects the illiquidity of TIPS. For UK gilts the spread is around 280 basis points. Since this spread has to take account both of investors' guesses at long-term inflation and a risk premium in case they are wrong, it is hard to see it being squeezed much further.

A further decline in real interest rates seems more plausible. After all, economic growth is slowing, the US is running a budget surplus and European deficits are shrinking. This has also restricted the supply of new paper. But with 25-year index-linked gilts yielding 2.4 per cent against 3 to 4 per cent historically, the gains here look limited too. In sum, the fundamentals suggest that bond markets are well supported at these levels, but no more.

The only thing that would justify a downward lurch in yields is global deflation and recession. In deflationary Japan, after all, bonds yield barely 1 per cent. And this is not impossible if devaluations spread to Latin America and China. Under such circumstances, the flight to quality would overrun any fundamental. Treasuries, as the best credit on the planet and yielding 120 basis points more than bonds, would be the prime beneficiaries.

Seagram agreed the takeover with Philips, the Dutch consumer electronics company that owns 75 per cent of PolyGram, in May.

However, it has had to postpone completion until it has secured clearance from the European Commission, now expected in late October.

PolyGram's trading performance has deteriorated because of the unsettled state of its executives and recording artists since Seagram unveiled its surprise bid.

Seagram is anxious to prevent PolyGram's condition worsening before it takes control. Philips needs to stabilize it to avert a further reduction in the bid price. It has already had to accept a \$20m cut in Seagram's original offer.

The November release of an album by U2, which has already sold more than 87m albums, is guaranteed to bolster PolyGram's performance during the vital pre-Christmas sales period.

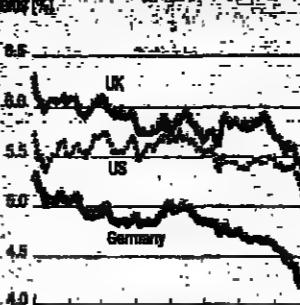
The U2 deal is well-timed for Seagram. A large part of the \$60m advance is payable to the band on signing the contract next week, when PolyGram will be under Philips' control.

However, the first of the three albums goes on sale in November, after Seagram expects to have assumed ownership.

## THE LEX COLUMN

### Gentlemen prefer bonds

10-year government bond rates



ment manufacturer that is arguably more important to the wider economy. Take the supply chain. A chip plant consumes huge amounts of UK water and electricity. It may, as Fujitsu did, turn to UK suppliers for air handling units. But virtually all the highly specialist process equipment, such as photolithography kit, is made by American, Japanese or German companies. The UK even has to share the sourcing of silicon wafers with the US and Japan.

Inward investment by car companies, however, has seen a mushrooming of component manufacturers. Of course, chip plants do enable some technology transfer. Employees on the Fujitsu "shop floor" are computer-literate working in extremely delicate engineering environments. It may not have been a good one for seven years, which is a lot better than nothing.

#### UK bids

Another day, another round of bids for smaller UK companies. With the FTSE SmallCap index underperforming the FTSE 100 by more than 10 per cent since June, prices continue to be attractive. Astonishingly, both yesterday's US buyers are paying about 80 per cent more than this year's "low" for TIA and David Brown. Either they are overpaying or the targets are further examples of hidden talent in the smaller companies sector. The latter certainly looks to be true. SmallCaps are on a historic price/earnings ratio of less than 16 times, compared with about 20 for the FTSE 100. Pessimism about their vulnerability to the strong pound and a slowing UK economy has outweighed the traditional belief in their greater growth potential.

But even though this negativity is overdone, can such high premiums be justified? Both these trade buyers claim synergies. Cooper Industries says it will make \$40m-\$50m savings from the Thurn purchase. That alone is worth the £100m premium to the pre-bid price. Textron must reap the benefits of David Brown's international expansion to get a decent return.

It would be harder for a financial buyer to justify such prices, especially as increased awareness of risk is likely to raise its cost of capital. But in consolidating industries, UK stocks trading well below their historic highs should continue to attract their bigger rivals.

#### Fujitsu

The closure of Fujitsu's plant in northeast England, though a bitter blow for employees, does not undermine the case for inward investment. In setting up plants, be they automotive or memory chips, foreign companies are not crowding out home-grown industries. UK companies threw in these particular towns turning up their noses. Since mid-July, Travellers' stock has dropped an astonishing 47 per cent, while its merger partner, Citicorp, is down 49 per cent.

Right now, the new Citigroup is being punished on all fronts for its exposure to trading losses through Salomon Brothers. Barney, for its involvement in emerging markets

sales period.

In any case, the UK has hung on to the sort of inward investment such as car plants or medical equipment

## Shares slide as Japanese steelmakers face big losses

By Alexander Hartley in Tokyo

Japan's big five steelmakers said yesterday they expected to suffer heavy losses this year because of weak economies at home and in Asia generally. The announcement, following the collapse of Toa Steel, a subsidiary of NKK, semi-sector share prices tumbled to their lowest levels since the beginning of the year.

The profit warnings came just after the US International Trade Commission called for anti-dumping duties on stainless steel wire rod produced by six countries including Japan - US steelmakers had filed a complaint about this earlier this week - and iron and steel sector shares plunged 5.8 per cent on the news.

Nippon Steel, the world's largest steelmaker, forecast an after-tax loss of ¥160m-¥250m, compared with a ¥165bn (¥440m) profit last year. This is largely because of a decline in sales volume, the costs of

retirement allowances and valuation losses on securities holdings. The group suspended its interim dividend for a second year.

NKK, the number two steelmaker, which is expected to suffer losses of ¥80bn this year as a result of the Toa Liquids' collapse, said net losses would reach ¥93bn, compared with profits of ¥143bn last time.

Kobe Steel warned of a ¥4.8bn loss and announced executive pay cuts of about 30 per cent and the cancellation of its half-year dividend. It plans to step up restructuring by consolidating production and cutting staff numbers at its head office.

Kawasaki Steel and Sumitomo Metal both revised their earnings forecasts downward into the red, blaming weak demand in Asia and Japan. Kawasaki expected net losses of ¥81bn, while Sumitomo said it would post a ¥100bn loss.

The bad news badly hurt stock prices, but analysts said

there were few surprises. Global overcapacity has lowered steel prices in recent years, just as demand has collapsed in Japan and elsewhere in Asia with the sharp decline in the construction and car sectors.

Japanese steelmakers have scrambled to cut costs and production to keep pace with falling demand. In July, domestic shipment volume shrank 18 per cent from the year before, according to Morgan Stanley Dean Witter in Tokyo.

Analysts said overcapacity would continue to plague the market this year, despite the contraction in output from 10.8m to 8.6m tonnes. Smaller producers, in particular electric furnace makers, were likely to be the hardest hit, analysts said.

"The market shows the characteristics of over-competition. Everyone is losing money," said Toru Nagai, industry analyst at Morgan Stanley Dean Witter.

#### Companies in this issue

| ASIAN-CER         | 28     | Forits              | 28     | Philips   | 24 | FTSE 100     | 10.50 | (+0.50) | EU STERLING       |
|-------------------|--------|---------------------|--------|-----------|----|--------------|-------|---------|-------------------|
| BP                | 17     | Fox                 | 1      | PolyGram  | 24 | FTSE 100-500 | 10.50 | (+1.50) | New York (London) |
| Boosey & Hawkes   | 22     | Fujitsu             | 22, 23 | Rio Tinto | 17 | FTSE 40-500  | 10.50 | (+0.50) | 5 Bonds           |
| British Airways   | 8      | Hammeron            | 22     | Samsung   | 5  | FTSE 100-500 | 10.50 | (+0.50) | 1 Bonds           |
| Cooper Industries | 22     | Henley              | 17     | Seagram   | 24 | FTSE 100-500 | 10.50 | (+0.50) | 2 Bonds           |
| David Brown       | 17, 22 | Hitschi             | 22     | Shell     | 17 | FTSE 100-500 | 10.50 | (+0.50) | 3 Bonds           |
| Dennis            | 17     | Lufthansa           | 23     | Siemens   | 5  | FTSE 100-500 | 10.50 | (+0.50) | 4 Bonds           |
| Disney            | 1      | Mitsubishi Electric | 22     | Skanska   | 23 | FTSE 100-500 | 10.50 | (+0.50) | 5 Bonds           |
| Drott             | 22     | Nicelabro           | 22     | Textron   | 22 | FTSE 100-500 | 10.50 | (+0.50) | 6 Bonds           |
| Enterprise Oil    | 17     | Nissan              | 5      | Toshiba   | 23 | FTSE 100-500 | 10.50 | (+0.50) | 7 Bonds           |

Markets latest

| EU LONG-TERM RATES | 5     | 10    | 20    | 30    | 50    | 100   | 200   | 300   | 500   |
|--------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Federal Bonds      | 5.00% | 5.50% | 6.00% | 6.50% | 7.00% | 7.50% | 8.00% | 8.50% | 9.00% |
| 5-yr Treasury Yld  | 4.57% | 5.17% | 5.77% | 6.37% | 6.97% | 7.57% | 8.1   |       |       |

SETS broths  
PRINTERS FAX MACHINE

EX COLUMN

I prefer bonds



SEPTEMBER 5 / SEPTEMBER 6 1998



Damien's domain

'What spectacular rewards lie behind the word business in the Hirst universe these days'



Discount dressing

'I resolved to see if my pounds and pence would make more of a bang if I spent them as bucks'



Lunch with Lacey

'He insists on fizzy water; the carbon dioxide in sparkling water generates an acid which kills off bacteria'

Page IV

Page X

Page III

# A flash in the pan

Until three weeks ago, the latest must-have item was a hand-painted toilet bowl. Now, says Chrystia Freeland, Russia's middle class feels betrayed

**I**t is not yet 10am at Luzhniki - an exuberant, grubby, cacophonous wholesale market in downtown Moscow, where business starts at dawn - but Lena is already changing her prices for the second time today.

"While I went to buy a cup of tea, the rouble fell even more and now we have to raise our prices," explains Lena, a pretty blonde in a polyester tracksuit, the unofficial uniform of Russian traders, as she props up new, hand-written cardboard price tags next to the Italian ones she sells.

"One of the traders in my row has a pager and whenever the rouble falls further, he sings out like a canary. It's impossible to keep up with the rate. I've lost \$3,000 in the past 10 days just because I was too slow in increasing my prices," she complains. "Soon I will have to close my business altogether."

Like everything else at Luzhniki, Lena's business is a ramshackle operation - there's no cash register, not even a shop counter, just shoes and boots crudely tied to tall metal racks check-by-jowl with competitors' wares and dispersed at strategic locations around the vast bazaar. But until three weeks ago, when the rouble crashed and the government defaulted on its debts, this unpretentious marketplace was the engine room, and perhaps even the soul, of Russia's capitalist transformation.

After seven years of painful market reforms, Russia has not made much progress in restructuring the industrial behemoths that were the foundation of the Soviet economy. But in the retail and consumer sectors, the transition has been a dazzling success.

Once a country in which oranges were a rarity, Russia has become a place where even the most obscure Siberian villages have access to the full capitalist cornucopia of goods, ranging from computers to kiwi fruit.

Luzhniki, which sells goods wholesale to traders from the hinterland, is one of the driving forces behind this consumer revolution. This trash-strewn, foul-mouthed market is also one of the birthplaces of the Russian middle class, a fragile young species whose proliferation is vital if the country's nascent capitalist democracy is to survive.

Nuclear physicists, factory engineers, teachers, doctors, lawyers - the professional classes who lost their jobs or their salaries with the Soviet Union's collapse - have found salvation, and often the wherewithal, for a prosperous new lifestyle in the cramped stalls of bazaars such as Luzhniki.

But today, as a mounting economic crisis eviscerates the rouble, paralyses the financial system and ravages the stock market, the middle class army of Luzhniki is endangered.

"This is our death," complains Sasha, Lena's neighbour, as the market "canyon" sings out the latest tidings of the rouble's



Even as Ira prophesies a bloodbath, her features are calm, her voice soft

the Russian provinces. "Now, we're just buying a little bit, for ourselves, sort of like a bank account."

"We are going to have to stop trading. There may be money left in Moscow, but there is no money at all left in our town," she says.

"Wages haven't been paid at our factories for 10 months. We are just going to work in our garden and sit in our apartment and try to live until our stocks run out. And when they do run out - and our neighbours' stocks run out, too - then there will be a bloody revolution."

It is a horrifying prediction, but even as Ira prophesies a bloodbath, her features are calm, her voice a soft monotone. Her stoicism is due to more than just the legendary patience of the Russian people.

Right now in Russia everyone is, as Lena puts it, "in a trance". And that is because, until just three weeks ago, Russia's middle class had finally begun to believe in the Kremlin's promises of a prosperous capitalist future.

Even in the depressed provinces, some real improvements were starting

to be felt, Ira recalls: "People's standard of living was improving. At first, they would just buy any western good they could get their hands on, and only worry about the price. Then they

began to be more choosy. Personally, too, our life became much better than it had been in the Soviet era. I was even thinking of having a second child."

And in Moscow, many

people were starting to feel the real beginnings of an economic boom. Three months ago, Lena says, her modest trading operation was turning a big monthly profit of \$10,000. She could

afford to take a summer holiday in Italy with her husband and two sons, their first trip abroad: she bought a 10-year-old Ford; and she dreamed of building herself a house in the country and sending her children to English boarding schools.

"We were making good money and life was full of possibilities," she says. "For a while, we forgot what Russia is really like."

Lena's solidly middle-class acquisitions were part of a rising wave of prosperity that made parts of Russia, especially the bustling capital city, seem like a new Klondike. A glittering band of nouveaux riches - bankers, oil and metals traders, crooked government officials - were the most ostentatious avatars of the new culture of consumption.

But the whole city seemed to embrace the consumer revolution. Moscow, just 10 years ago a byword for Soviet dreariness, suddenly developed ambitions of becoming the global capital of capitalist excess.

This new spirit was captured by an advertisement, still plastered on billboards across the city, for the new must-have item - a porcelain toilet bowl, complete with hand-painted flowers.

For cooed western sensibilities, flowery toilet bowls might seem to be a sordid national icon, but as a replacement for the privations of the hammer and sickle it has a terrific appeal.

Perhaps even more than an end to the gulag, it was these creature comforts which were President Boris Yeltsin's most powerful promise. Russia's doughty middle class believed him, and now it feels betrayed.

"In 1996, we all backed Yeltsin; we were terrified the Communists would come back to power and shoot us just like they did in the 1920s," Sasha admits. "Now Yeltsin is still president and no one is shooting us, but our business is still dead."

Those Russians who offered the Kremlin the ultimate gesture of confidence - holding their savings in roubles in Russian commercial banks - are even more disenchanted.

"I know I will never get my money," says Olga, a 35-year-old accountant who works in a western construction company, as she waits outside the locked doors of her bank. "We believed in the government when it said put your money in the national currency, in the national banks."

"Now, I will never trust a Russian government again. I only trust the International Monetary Fund. Why can't they send us some intelligent western government and send our own ministers to some desert island?"

For the bright young thinkers who spearheaded Russia's market reforms, losing the faith of the middle class is profoundly depressing. For more than a decade, these capitalist revolutionaries have seen themselves as holy warriors, fighting a jihad against the evil communist regime.

But now the truest practitioners of the new creed - the merchants and professionals of the middle class - are turning atheist and the revolutionary ideologies are wondering what went wrong.

"I feel very guilty and very sad," says Mikhail Berger, editor of *Sevodnya*, one of

trucks from which business is done, is matched by a parallel \$6,000 they have to turn over to racketeers working in collusion with the authorities. (More savvy than the trusting middle class, the mafia has never had much faith in the rouble - all payments are in cash dollars.) Policemen are bandits in uniform, eating free at private food-stands and collecting pay-offs.

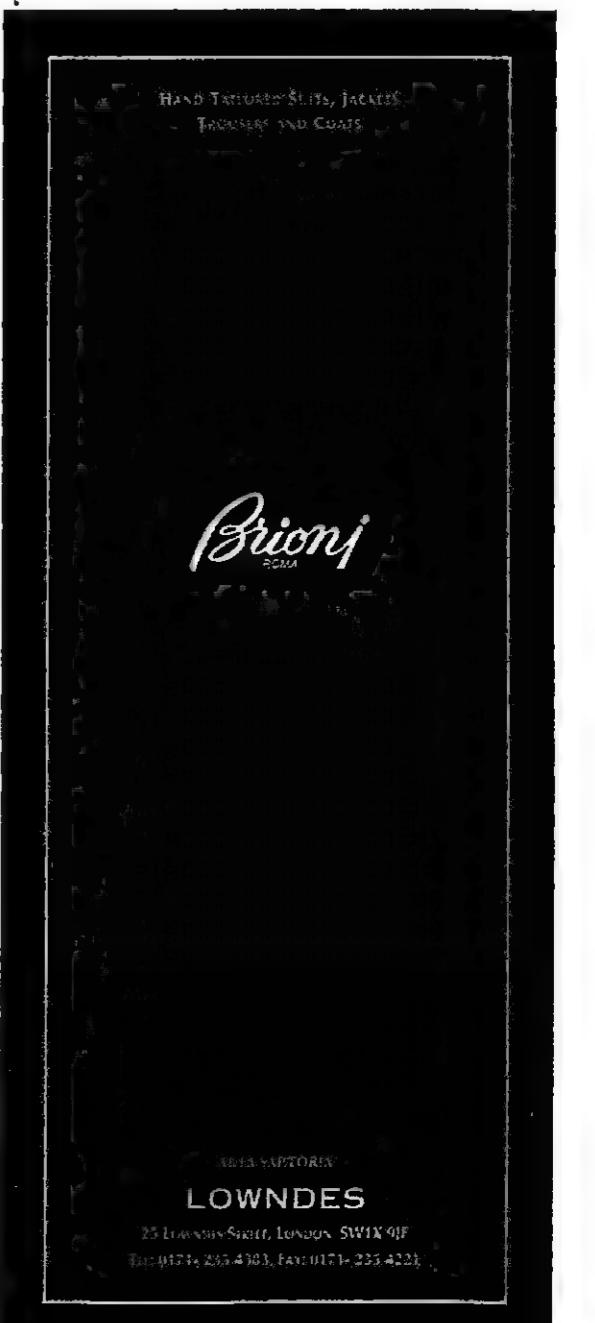
The merchants of Luzhniki believe that their market is a microcosm for the Russian economy as a whole and that the distorted business principles of their bazaar are, ultimately, what caused the financial crisis.

"Intuitively, we knew things would collapse," says Sasha. "The problem with our economy is that money always goes to the bandits with their Swiss bank accounts, not to doctors and teachers. The elite in our country stole everything. We think that the \$5bn that Chubais got from the International Monetary Fund this summer should have been deposited directly in Zurich, for all the good it did us."

As the economic crisis mounts, Russia's leadership is obsessed by internal power struggles and the technical details of warring economic proposals. But their toughest battle will be one they haven't even begun to face: to win back the faith of the bruised middle class.

Until they do that, Russia will again be a nation of dissidents, people will flee from the rouble to the dollar, and dream of fleeing the country altogether.

"My deepest wish now is for my sons to live abroad," says Lena, who will close her business on Monday because it is suffering too many losses. "It is God's punishment to be born here. It's a terrible thing to say about your own land, but this is a country of thieves and idiots. In Russia, it is impossible to be a patriot."



Contents and columnists

|                        |           |                  |           |
|------------------------|-----------|------------------|-----------|
| Arts                   | VII, VIII | Motoring         | XV        |
| Arts Guide             | XIX       | Perspectives     | II-IV     |
| Books                  | V, VI     | Property         | XX-XXI    |
| Bridge Chess Crossword | II        | Joe Rogaly       | II        |
| Fashion                | X         | Science          | II        |
| Food & Drink           | XIV, XV   | Small Businesses | II        |
| Gardening              | XXI       | Sport            | XXI       |
| How To Spend It        | X, XI     | Travel           | XV-XVII   |
| Lunch with the FT      | II        | Weekend Investor | XXIV, XXV |



Joe Rogaly

Condemned man

'His presidency is dying of ridicule. What beats me is why this should be so'

Page III

NEXT WEEK

12-page Travel special

See the witches of La Paz, the beaches of the Seychelles, and much more

With FT Weekend

LOWNDES

25 LICHFIELD STREET, LONDON SW1X 8JF

TEL 0171-233 4301, FAX 0171-233 4225

## PERSPECTIVES

Minding Your Own Business

## From little acorns grow

Clive Fewins tracks a holiday concern's hard climb to success

**C**harles Cordle has good reason to bless the tax man. Having seen one business collapse, he was struggling desperately to keep a second venture alive.

Then, a chance meeting with an inspector from the Inland Revenue gave him his big break.

If he presented his initial accounts to the tax authorities after six months, the inspector told him, instead of after the first year's trading, Cordle would almost certainly receive the large tax rebate due from his previous business activities immediately, rather than at the end of the next tax year.

The tip was priceless. "The rebate proved to be £11,000 and it was vital to keeping the infant Acorn Activities afloat. It was a lifeline," says Cordle, 52.

That was back in 1982. He and his wife Ann had started their activity holidays business on nothing but an idea.

They were in dire straits. Their video mail order and distribution company had collapsed the previous year owing £400,000. With had gone their self-esteem, a very comfortable lifestyle and a large house near Hay-on-Wye on the Welsh border.

From such a low point,

things could only get better.

With 10 acres and tennis court.

They were living in a rented dilapidated former vicarage, and keeping themselves and their three children on child benefit and £57 a week family credit.

Acorn Activities, which

provides activity holidays,

based mainly in Wales and the Welsh borderlands, was founded on a £80,000 loan from a group of friends in Herefordshire, where Cordle, a former Grenadier Guards officer, and his wife had lived since 1975.

The business was up, with a turnover of £63,000, but barely running, with a loss of £22,000, when the Cordles suffered another severe blow.

Their 17-year-old son Henry was killed in a motorcycle accident. The second of their four children had been electrocuted aged three in 1977.

"At the time Henry died,

cash flow was still desperate.

Life was absolutely appalling.

How we managed to

keep going I shall never

really know, but I am sure

that our Christian faith had

a great deal to do with it,"

says Ann Cordle, who is her

husband's partner in the

business.

From such a low point,

things could only get better.



Driving force: It's been a bumpy ride for Charles and Ann Cordle's activity holidays business but they finally found the right strategy to make it pay

Tom Pfeiffer

The following year saw turnover almost double to £146,000, and the loss shrink to £35,000. This pattern was repeated for the next two years, until by 1984 the loss was £22,000. The Cordles were just able to live off the business and, having moved six times in five years, settled in the large Georgian farmhouse near Hereford where they now live and work.

The future of the business was still uncertain, however. Another loan the following year from an old friend, Giles Bumler, a member of the cider family, proved critical.

"We were supplying what

was wanted at a price people

would pay, at the time of

well have had to close," says Cordle.

The 1985 figures were a turning point. "We turned over a record £397,000 in 1985

and made a net profit of £53,500. We were making

profits from being intermediaries - buying and selling the services and facilities of

what has now grown to about 1,000 local providers - to 19,000 customers a year."

The reason, Cordle believes, was that they had finally found the correct marketing strategy.

"We were supplying what

was wanted at a price people

would pay, at the time of

year they wanted it. Our list of week-long family activity

holidays had grown to include pony-trekking, mountain biking, abseiling and climbing, canoeing and gorge adventure holidays. And all within 70 miles of

our base."

They also had a full-time professional staff - today

there are 11 employees - and were generating profits to plough back into the business, especially advertising.

"The latter two products now account for about 30 per cent of our total sales."

In recent years, turnover has been boosted by grants, totalling £60,000, from the Wales Tourist Board and £22,000 from the European Commission, which were

lored to suit customers' pockets.

"In addition we had started hen and stag weekends at selected hotels, and on top of that, a number of business organisations came to us asking us to find them locations for business meetings, with add-on active

things to do."

The latter two products now account for about 30 per cent of our total sales."

In recent years, turnover has been boosted by grants, totalling £60,000, from the Wales Tourist Board and £22,000 from the European Commission, which were

used to help with marketing.

Last year it topped £1m for the first time and has done the same in the first five months of the current trading year. Gross profit during this period was £180,000.

"It's not our policy to

own anything, so the idea is

to sell it on and feed the new owner with bookings.

"For the future we would like to replicate Acorn Activities holidays in other parts of the UK."

"Things are really coming

good," says Cordle. "By the

end of this year we shall

have paid off all our debts.

All my creditors in 1988 were

paid off when I was declared

voluntarily insolvent.

"But the pressure is by no

means off. We were desper-

ately short of the type of

accommodation we need so

we bought a hotel in Le-

minster for £29,000 in May.

"Material things are really

not important to us any

more."

■ Acorn Activities, PO Box

120, Hereford HR4 8YB, tel

01432 830083.

inclination in that direction, but environmental factors - such as, in this case, the presence of a plane - will heavily influence the outcome.

What are the environmental factors for gayness? No one knows. Psychologists once argued that a distant father and an over-protective mother, for instance, were a recipe for homosexuality; they tried, in therapy sessions, to "cure" patients by forcing them to confront their parental hostilities. (This practice was officially rejected 25 years ago by the American Psychiatric and Psychological associations.)

Scientists have blamed hor- monal shifts *in utero*, sexual abuse at a young age, and even diet. Probably, the set of biological and environmental factors that produce gayness are so complex that researchers will never completely discover them.

"Maybe gayness is produced by a mother's taste for old movies"

"It's a trait along the lines of brown eyes: the twins of homosexual brothers would always be gay."

Even if such theories are proved beyond a reasonable doubt, they probably indicate no more than a biological proclivity

not a precise biological origin for homosexuality.

"It's a trait along the lines of brown eyes: the twins of homosexual brothers would always be gay."

It's more likely, then, that homosexuality is comparable to a talent for playing the piano. An individual may show a strong

inclination in that direction, but environmental factors - such as, in this case, the presence of a plane - will heavily influence the outcome.

What are the environmental factors for gayness? No one knows. Psychologists once argued that a distant father and an over-protective mother, for instance, were a recipe for homosexuality; they tried, in therapy sessions, to "cure" patients by forcing them to confront their parental hostilities. (This practice was officially rejected 25 years ago by the American Psychiatric and Psychological associations.)

Scientists have blamed hor- monal shifts *in utero*, sexual abuse at a young age, and even diet. Probably, the set of biological and environmental factors that produce gayness are so complex that researchers will never completely discover them.

"Maybe gayness is produced by a mother's taste for old movies"

"It's a trait along the lines of brown eyes: the twins of homosexual brothers would always be gay."

Even if such theories are proved beyond a reasonable doubt, they probably indicate no more than a biological proclivity

not a precise biological origin for homosexuality.

"It's a trait along the lines of brown eyes: the twins of homosexual brothers would always be gay."

Even if such theories are proved beyond a reasonable doubt, they probably indicate no more than a biological proclivity

not a precise biological origin for homosexuality.

"It's a trait along the lines of brown eyes: the twins of homosexual brothers would always be gay."

Even if such theories are proved beyond a reasonable doubt, they probably indicate no more than a biological proclivity

not a precise biological origin for homosexuality.

"It's a trait along the lines of brown eyes: the twins of homosexual brothers would always be gay."

Even if such theories are proved beyond a reasonable doubt, they probably indicate no more than a biological proclivity

not a precise biological origin for homosexuality.

"It's a trait along the lines of brown eyes: the twins of homosexual brothers would always be gay."

Even if such theories are proved beyond a reasonable doubt, they probably indicate no more than a biological proclivity

not a precise biological origin for homosexuality.

"It's a trait along the lines of brown eyes: the twins of homosexual brothers would always be gay."

Even if such theories are proved beyond a reasonable doubt, they probably indicate no more than a biological proclivity

not a precise biological origin for homosexuality.

"It's a trait along the lines of brown eyes: the twins of homosexual brothers would always be gay."

Even if such theories are proved beyond a reasonable doubt, they probably indicate no more than a biological proclivity

not a precise biological origin for homosexuality.

"It's a trait along the lines of brown eyes: the twins of homosexual brothers would always be gay."

Even if such theories are proved beyond a reasonable doubt, they probably indicate no more than a biological proclivity

not a precise biological origin for homosexuality.

"It's a trait along the lines of brown eyes: the twins of homosexual brothers would always be gay."

Even if such theories are proved beyond a reasonable doubt, they probably indicate no more than a biological proclivity

not a precise biological origin for homosexuality.

"It's a trait along the lines of brown eyes: the twins of homosexual brothers would always be gay."

Even if such theories are proved beyond a reasonable doubt, they probably indicate no more than a biological proclivity

not a precise biological origin for homosexuality.

"It's a trait along the lines of brown eyes: the twins of homosexual brothers would always be gay."

Even if such theories are proved beyond a reasonable doubt, they probably indicate no more than a biological proclivity

not a precise biological origin for homosexuality.

"It's a trait along the lines of brown eyes: the twins of homosexual brothers would always be gay."

Even if such theories are proved beyond a reasonable doubt, they probably indicate no more than a biological proclivity

not a precise biological origin for homosexuality.

"It's a trait along the lines of brown eyes: the twins of homosexual brothers would always be gay."

Even if such theories are proved beyond a reasonable doubt, they probably indicate no more than a biological proclivity

not a precise biological origin for homosexuality.

"It's a trait along the lines of brown eyes: the twins of homosexual brothers would always be gay."

Even if such theories are proved beyond a reasonable doubt, they probably indicate no more than a biological proclivity

not a precise biological origin for homosexuality.

"It's a trait along the lines of brown eyes: the twins of homosexual brothers would always be gay."

Even if such theories are proved beyond a reasonable doubt, they probably indicate no more than a biological proclivity

not a precise biological origin for homosexuality.

"It's a trait along the lines of brown eyes: the twins of homosexual brothers would always be gay."

Even if such theories are proved beyond a reasonable doubt, they probably indicate no more than a biological proclivity

not a precise biological origin for homosexuality.

"It's a trait along the lines of brown eyes: the twins of homosexual brothers would always be gay."

Even if such theories are proved beyond a reasonable doubt, they probably indicate no more than a biological proclivity

not a precise biological origin for homosexuality.

"It's a trait along the lines of brown eyes: the twins of homosexual brothers would always be gay."

Even if such theories are proved beyond a reasonable doubt, they probably indicate no more than a biological proclivity

not a precise biological origin for homosexuality.

"It's a trait along the lines of brown eyes: the twins of homosexual brothers would always be gay."

Even if such theories are proved beyond a reasonable doubt, they probably indicate no more than a biological proclivity

not a precise biological origin for homosexuality.

"It's a trait along the lines of brown eyes: the twins of homosexual brothers would always be gay."

Even if such theories are proved beyond a reasonable doubt, they probably indicate no more than a biological proclivity

not a precise biological origin for homosexuality.

"It's a trait along the lines of brown eyes: the twins of homosexual brothers would always be gay."

## PERSPECTIVES



Joe Rogaly

## Don't wait to be laughed out of office

The naked dance should not disqualify him. But Clinton is being undermined by ridicule. It is time he resigned

**I**t was at dinner in a cottage in the Cotswolds, Old England's precious rural retreat, that I first heard about the little naked dance. The respectable lady on my right told the story, smiling. She'd read it in a paper, she couldn't remember which.

The *duo* "started Clinton off", my fellow-guest, newly a grandmother, informed the president, enraptured by Monica Lewinsky's choreography, completed for himself what she had begun. In the Cotswold version, no mention was made of an inappropriately placed cigar, although a large *sesz* Havas appears in many retellings of the tale.

To my way of thinking the above pastiche should not weigh against Mr Clinton, although if it

is verified it certainly will. Watching someone prance about in the nude should not be a disqualification for office.

It could even be beneficial. Kjell Magne Bondevik could have been cheered up by a little naked dance. The prime minister of Norway might then have been less depressed: he might not have felt obliged to take a week's sick leave.

The difficulty for the president is that such stories, accurate or not, are being infiltrated into our minds. Like my dining companion, we are all receivers of titillating newshits sold to us by sanctimonious, finger-wagging, prurient hypocrites in the US media.

Not all of them are drunks, liars or adulterers, but we can be certain that some are. This pow-

erful crew has implanted tiny videos in our skulls. The alien devices constantly replay the cigar scene, or the undressed shimmy clip, or both.

We should be focusing on Mr Clinton's unpromising visit to Russia, his significant contribution to the cause of peace in Ireland, his dubious bombing of Khartoum, his imperfect stewardship of the superpower upon which we all depend. Instead, we are invited to picture him as a failed sperm donor.

We know the unhappy result. His presidency is dying of ridicule. What beats me is why this should be so. Perhaps one reason is that the Comeback Kid is running out of time. Halfway through his second term every president becomes a lame duck. Mr Clinton would be approach-

ing that point soon even if his personal life had been without any perceived flaws. Now he is prematurely lame.

Even if he stays the distance he will be out of the White House before our memories begin to fade. When they do, it will be too late. You may recall the tapes said to be of telephone conversations between the Prince of Wales and Camilla Parker Bowles. They contained sentiments appropriate to a love affair. Widely published, they were the cause of much sniggering. That was nearly six years ago. Today, Prince Charles no longer looks ridiculous.

Nor does Jimmy Carter, although the former president once famously confessed that he had committed adultery in his heart many times. "This is some-

thing that God recognises I will do," he told *Playboy* magazine in 1976. "... and God forgives me for it." Mr Carter was much mocked at the time.

Unbelievers might concede the truth in the Carter view of nature. Humans are genetically programmed to entertain and, where possible, live out fantasies about the opposite sex - always excepting, of course, you and me.

The English were well aware of the promiscuous adventures of an earlier, 18th century, Prince of Wales. Many salacious details were rehearsed. The "voluntary" was attacked in James Gilray's savage caricature. The Crown survived.

The French, as we know, are sophisticated about such matters. The late president Mitterrand sat comfortably in his skin,

despite being the father of a child by his mistress.

All very well, you may say, but what about the lies? The president has admitted that he prevaricated about his relationship with Miss Lewinsky. So? In most circumstances, it is far better to kiss and not tell, or even to camouflage one's inappropriate cutesies, than to tell the story to the highest bidder. If the original deed is Mr Clinton's private business, there is no affront to the state in his ineffective attempts to keep it quiet.

It would be quite different if the allegations against him of corrupt financial practices - as in the Whitewater affair - were proven, or if he were to be found guilty of abusing his office for personal or political gain. At present he stands condemned as

a serial liar, which is another way of saying that he is a successful politician, a bearer of heavy responsibilities.

Having said all that, I must concede the central argument in favour of a Clinton abdication. Until now a consistent proponent of his staying on regardless, I have turned.

For no one's authority can long survive sustained ridicule. This is true even when the object of derision is blameless. The late Harold Macmillan was driven to resign from No 10 Downing Street after one of his ministers slept with a prostitute and lied to Parliament about it. The prime minister affected to be an innocent, unaware of the goings-on around him. He was laughed out of office.

*joe.rogaly@ft.com*

Lunch with the FT

## Avoiding poison on your plate

Richard Lacey chews the cud with Christian Tyler

**R**ichard Lacey is probably the last person you would want to take out to lunch.

Over his glass of Pimm's, Lacey told me that Pool Court was his favourite restaurant. But it soon became clear he was not going to make life easy for them.

When I suggested the salmon, for example, he pulled a face and gave me a short lecture on the perils of fish farming. Finally, we agreed on crab meat "served two ways" as starters: to follow, he chose lamb and I went for sweetbreads. I should have known better.

"Do you know what they are?" the professor asked instantly.

"I'm not sure," I said. "Some part of the stomach, I think. Anyway, I love them, so I don't really mind what they are."

"They've been banned," came the lugubrious reply. "Apart, that is, those from very young animals."

"Oh, really? Does that mean I should leave them?"

"I don't know. It depends where they come from."

We asked the waiter, who said cheekily: "Now you're asking, I will find out."

He disappeared. The professor explained that sweetbreads are the pancreas, or thymus, of the animal, adding: "I'm very mean, aren't I?"

"I can take it," I said. In fact, by this stage I was more concerned that the restaurant would take offence.

But when the manager appeared, he was smiling. "Sir, the beef ranchers sued the TV chat show queen Oprah Winfrey for saying on air she would

never touch another hamburger. Lacey supplied expert testimony on her behalf, which helped her win the first round.

For he is the scientist who warned against precooked meals and microwave ovens, who raised the alarm about listeria and salmonella, and who predicted that mad cow disease would jump from cattle to people, and kill them.

As if that were not enough, the eminent food safety fanatic has called his latest book *Poison on a Plate* (Metro, £13.99).

But the news is not all bad. In his epilogue, Lacey forecasts that in about 20 years, supermarkets will have declined and the high street butcher, baker and grocer will have revived.

The Cassandra of the Kitchen certainly lived up to his reputation when we had lunch last week.

We met for drinks on the terrace of Pool Court, a Michelin-starred restaurant on the River Aire in Leeds, the city where, until his recent retirement, Lacey was professor of microbiology.

This was once a derelict and dangerous area; I had scarcely finished admiring the redevelopment around us and the sparkling stream rushing beneath our feet when Lacey observed that farther upriver "they" were still tipping "faecal matter" into it.

The professor was wearing a red tie emblazoned with blue-black cow's heads. He got it from Texas, he told me, where beef ranchers sued the TV chat show queen Oprah Winfrey for saying on air she would

never touch another hamburger. Lacey supplied expert testimony on her behalf, which helped her win the first round.

Over his glass of Pimm's, Lacey told me that Pool Court was his favourite restaurant. But it soon became clear he was not going to make life easy for them.

When I suggested the salmon, for example, he pulled a face and gave me a short lecture on the perils of fish farming.

"How do you mean?"

"But what do you look for?"

"The most important thing is the number of staff. It's a sign that the food is fresh. And the fewer microwaves the better. They have two small ones here, but even the best restaurants have to use them for certain components."

"You haven't checked this kitchen, have you?"

"Yes I have. Just done it."

We went inside and found our table. The place was quiet. But there was to be no

love of good food. "Bad quality and danger go hand in hand," he said. "That's why I wanted you to eat here."

It surprised me to learn that he eats out regularly, and used to write a food column for the Yorkshire Evening Post. "That's courageous of you," I said.

"Well, I always check the kitchens."

"How do you mean?"

"But what do you look for?"

"The most important thing is the number of staff. It's a sign that the food is fresh. And the fewer microwaves the better. They have two small ones here, but even the best restaurants have to use them for certain components."

"You haven't checked this kitchen, have you?"

"Yes I have. Just done it."

We went inside and found our table. The place was quiet. But there was to be no

peace yet. Offered mineral water, which was all he wanted to drink, Lacey insisted on the fizzy variety.

He said a survey done by his laboratory had shown there were more bacteria in

bottled water," he concluded. I wondered how this would go down with the Sivan company, whose health award the professor won in 1990.

Lacey sees himself as a reluctant crusader, shocked into action against cynical politicians, lying civil servants, cowardly fellow scientists and sensation-hungry reporters.

In 1990, he famously warned a parliamentary committee that bovine spongiform encephalopathy (BSE) could jump species, with the words "if our worst fears are realised we could virtually lose a generation of people".

He seems to have been right about the species jump, but not (yet) about the numbers. A new variant of the deadly Creutzfeld-Jakob disease has struck down at least two dozen people in Britain. Lacey now thinks the rate of infection from cattle will be lower than expected (it has been found

that only about a third of the population is genetically susceptible) but that the rate of subsequent transmission will be higher.

The price of becoming the media's favourite expert on food safety, he said, was that he was only quoted these days when he was preaching Armageddon.

"There are many pseudo-scares, like the one recently about milk. But when I said there was no problem, the item was cut from the broadcast."

I asked him how his wife and daughters had coped with the notoriety.

"I think 'notoriety' is a bit strong," he said. His wife had been upset when the farmers became aggressive. Their gates were removed, there were graffiti, and one winter an unfriendly neighbour with a bulldozer dumped a 15ft-high pile of snow in the drive. "Fortunately, we didn't realise we had another exit," he said. But now the farmers were com-

ing to him for advice. As for himself, he admitted to some after-effects.

"I've become a bit anti-social. Non-communicative. I've always tended that way, anyway."

"Perhaps you were a bit naive," I said.

"Maybe. But if I hadn't been naive maybe I wouldn't have got angry. So if that is the case, it's something to be proud of. Because I wasn't born cynical, I became cynical."

"What do you eat for a real treat?"

"Scrambled eggs on fried bread. Very bad for you," he said cheerfully.

Food faddism is a bore, I reflected as I paid the bill; perhaps its only merit is that it proves how spoilt we are, that we are living in a society of unparalleled peace, prosperity and good health.

On the other hand, if Prof Lacey is right, I - like a lot of other people - will have to eat my words.

**CHESS** *The elderly vessel drifting silently on Vestfjorden does not look much of a killing machine. In places, the Nybreena's paintwork is streaked with rust and the wooden deck is scarred from Arctic winters chasing cod.*

*But when the winds ease and a weak summer sun rises over Lofoten, the necklace of islands off northern Norway, the crew of the Nybreena turn their attention from North Atlantic fish stocks to larger prey - whales.*

*For two months this summer, the Nybreena and more than 20 other fishing boats have left the rugged shelter of Lofoten primed with grenade-tipped harpoons and powerful winches - capable of hauling mammals the size of a truck on to a floating carvery.*

*It is a painstaking business. Jan Odin Olavsen, joint owner of the vessel, says the most important tool of the trade has not changed since he started whaling in 1958. "You cannot use electronic instruments or sonar to find whales - the sound waves frighten them - you must rely on your eyes."*

*The five-man crew on his boat, including his brother, son and son-in-law, take turns to scan the ocean for signs of whale*

*breaking the surface. The mammals, the smallest of the baleen whale family, are hard to spot, and members of the Olavsen family each spend up to six hours in the crow's nest - more often than not without success.*

*Five times this summer, however, their vigilance been rewarded.*

*Cutting the engines, the Nybreena floats stealthily across a calm bay the colour of gunmetal. It is perhaps no more than 200m to the shore, where the steep mountains of Lofoten rise up like granite mermaids whipped into peaks.*

*The hunt is made easier by the natural curiosity of the minke, which mostly swim alone or in groups of three or four. Unaware of the danger, they often swim up to the boat, sometimes nudging it gently.*

*"We go very slowly so as not to scare them," says Olavsen.*

*\_dispatches*

## Wails of an endangered species

Hunters in Norway fear for their livelihoods if a further moratorium is imposed. Tim Burt reports

*This summer, Norwegian whalers have been awarded government quotas to "harvest" 671 minke whales. When the country resumed commercial whaling in the face of concerted international opposition five years ago, the first quota was 256.*

*As the boat idles gently, the crewman stands at the harpoon fires. The rapport echoes off Reinebringen - the mountain nicknamed "the chest" - which dominates the skyline above the fishing village of Reine. The harpoon snakes out wildly and the grenade's pentrite explosive detonates about 40cm into the whale's side.*

*"It is really a shock grenade and usually it kills them immediately," says Olavsen, who also runs a small whalewatch and fish-processing factory on the islands.*

*"If the animal is still moving, you haul it first into the boat and then use a ride into the heart."*

*Once on board, carcasses weighing up to eight tonnes are cut into chunks and the meat left to cool on deck for 24 hours before being stored in the hold.*

*national Whaling Commission, the United Nations body charged with regulating the industry.*

*"We cannot understand the love of whales, they are no different from cattle for us and we are simply farming the sea," says Sivert Sivertsen, a retired whaler from Reine, the 400-strong community cut off for weeks at a time during the avalanche season.*

*The obduracy of the islanders reflects a more serious deadlock over the future of commercial whaling. For several years, the commission's agenda has been affected by countries opposed to any resumption of the whaling - led by the UK, US, Australia and New Zealand - while Norway and Japan have chosen to ignore the moratorium on hunting or maintain their catches for scientific purposes.*

*Some scientists now believe that stocks of minke whales - which were never pushed to the brink of extinction - have reached about 100,000 and can sustain a limited harvest each year. But international pressure groups remain implacably opposed to the cull, arguing that whales are intelligent marine mammals, which should be protected and granted sanctuary.*

*For the past year, Michael Cannon, the Irish president of the commission, has been seeking a compromise that would allow tightly regulated catches in coastal waters - providing the meat is only for local consumption - while imposing a comprehensive ban on exports and hunting in international waters.*

*So far, most NGOs and whaling groups remain opposed to the plan. Anti-whalers argue it would*

*sanction an immoral trade, while the whalers claim the proposed restrictions threaten their survival.*

*The Norwegian government,*

*which regulates the country's whaling industry, fears that failure to agree a deal could lead to the breakdown of the commission.*



## BOOKS

**V**ietnam. The word is loaded with imagery: black and white photographs of napalm victims, US marines escaping by helicopter from the rooftops of Saigon, farmers ploughing in lush green paddy fields, conical bamboo hats and French films buried in the sort focus of *Indochine*.

The problem with most of these images is that they have very little to do with the face of modern Vietnam, as this groundbreaking book explains. In a convincing blend of colourful reportage and trenchant analysis, Robert Templer blows away the myths that have misinformed the world about this deeply troubled country for too long.

Drawing on his three years in Hanoi as a correspondent for the French news agency Agence France Presse, he exposes the gritty reality of Vietnam today – a country whose political leadership has lost direction as it struggles to come to terms with the post-Soviet world order and where the promise of Vietnam as the next Asian “tiger” has been dashed on Hanoi’s incompetence and the false hopes of the outside world.

Templer has a credible per-

## The truth behind the image

The world has been misinformed about Vietnam for too long, writes Jeremy Grant

spective. He was lucky enough to have been based in Vietnam in the early 1990s, just as the country was emerging from under the dust sheets of Soviet dominance, economic deprivation and Cold War hostility in Asia.

The last time foreign reporters had been based in Vietnam was before 1975, when they covered the war from Saigon, capital of the former South Vietnam. Until recently, covering Vietnam meant parachuting in and submitting to tightly chaperoned tours that rarely left anything more than a skin-deep impression. Hanoi was happy to let reporters dwell on past tragedies rather than the tensions of the present. In the early 1990s, Vietnam finally allowed permanent news bureaux but insisted that they be based in Hanoi. Permission is still needed for trips outside the capital.

Templer explains what is wrong with the imagery. His targets are the writers, film-makers

and commentators that have dominated the image-making until now: producers of film epics such as *Indochine* which starred Catherine Deneuve, and war-era American journalists on return trips to the country they think they still know.

Both projected their own versions of Vietnam. The French, with their imaginary landscape of colonial loss and regret, the Americans with “Nam”, a place for suffering and redemption. These “layered fantasies”, inevitably, have started colliding with the reality of modern Vietnam. Jean-Jacques Annaud, the French film director of *The Lover*, the steamy novel by Marguerite Duras, had a rude shock when scouting for locations for the film. Instead of “Indochine”, he found poverty and overpopulation that left him stunned. The fancy villas of his imagination had been replaced by tacky prefabs.

The countryside didn’t offer

much better. Down in the Mekong Delta, he found “grey” instead of green. The Mekong river, crammed with motorboats with corrugated iron roofs, looked “more like a freeway outside Mexico City than the legendary river flowing all the way down from China”.

**SHADOWS AND WIND. A VIEW OF MODERN VIETNAM**  
by Robert Templer  
Little, Brown £18.99, 384 pages

Vietnam can be a place of grace and charm. Its ageing revolutionaries have achieved much since the relaxation of internal political controls a decade ago, the embrace of foreign investment, introduction of far-reaching agricultural reforms and expanding diplomatic ties.

But these images, too, risk

becoming part on an outdated iconography. Today’s Vietnam is a place of immense economic and social tension as the communist party tries to retain its relevance in a society that has tasted the first fruits of economic freedom. The economy is stumbling under the weight of bloated state-owned industries and private entrepreneurs are stamped upon by the system.

In the countryside – where 80 per cent of the population lives – grinding poverty is still the lot of most. Farmers face arbitrary taxes imposed by communist party officials. Migration from the country to the cities is acute as land is in short supply. Vietnam’s average population density is twice the Asian average.

Having set reforms in motion a decade ago, the communist party has yet to work out a vision for what happens next. But a bigger challenge is how to meet the aspirations of its incredibly young population. A staggering 41m Vietnamese were born after

1975 and have no memory of the war.

Vietnam’s problems may have been temporarily eclipsed by the recent turmoil in Southeast Asia. But that does not mean that it has been spared its own painful descent into economic distress, and possibly serious social unrest.

Such images are likely to strike fear into the country’s rulers, who, as Templer says, set so much store by an image-making of their own: “A central part of Vietnam’s political culture is about presenting a facade to the outside world. In the past it covered its chaotic political divisions with the image of rigorous Confucianism or strict Marxism. It has softened its appearance now but it has not dropped its guard: officials are dedicated to preserving the images. They portray themselves to the outside world as mysterious and inscrutable, fluent in elliptical oriental wisdom and masters of a society that outsiders could not possibly fathom. Thus they ensured that journalists and writers spent more time examining a past over which the government could exercise some control rather than a present that is slipping away from them.”

Fiction/Galen Strawson

## An odyssey reaches Waterloo

**T**he Hundred Days is the 19th member of Patrick O’Brien’s great series of novels about Captain Jack Aubrey of the Royal Navy and his “second self” (borrowed Aristotle’s term for a friend) Dr Stephen Maturin, the surgeon, spy, and natural philosopher.

The hundred days (or so) are the last of the Napoleonic Wars, beginning with Bonaparte’s escape from Elba in February 1815 and ending with Waterloo. O’Brien’s new book deals, in a happily factitious way, with the naval activity in the Mediterranean during that time. It ranges from Gibraltar to Malta, from Split to Tangier, incorporating (among other things) a court-martial for buggery, a lion hunt, and a well-aimed dose of opium.

The main story pivots on the imbricated policies both civilised and murderous, of Moslem North Africa, whose relevance to the European conflict derives (by way of the presence of well-armed Moslem mercenaries in the Balkans) from a resurgence of the belief that Napoleon “Jo-Egypt-1 was-a-Mohammedan in France-1-a-Catholic” Bonaparte is a secret convert to Islam.

If you know O’Brien’s Napoleonic books, the function of a review like this is merely to inform you that a new one has been published, which you will want to read whatever anyone says. If you do not know them, its task is to advise you to acquire the first two or three (*Master and Commander*, 1970; *Past Captain*, 1972; *HMS Surprise*, 1973), or perhaps the first dozen. If you are trying to weather a depression and to read on past any early sense that they are not for you – at least to the end of *Master and Commander*.

At this point you will probably want to read the next 17 before learning any more about *The Hundred Days* from a review. So my job is done, whether or not you know Aubrey and Maturin. But I will append a few observations for novitiates and initiates.

They should expect to suffer two considerable personal losses; but they will

receive spiritual instruction in the disgrace of Preserved Killick, Aubrey’s bickering steward of many years standing. They will be sorry not to hear more about the mathematical boy John Daniel, or about “young Captain Vaux (a deeply conscientious officer)”, or about the paper on screwing that James Wright gave to the Royal Society.

But they will be pleased to be introduced to Dr Amos Jacob, another chirurgical secret agent (and linguist and gemmologist) who travels with Aubrey and Maturin on *HMS Surprise*, solves their diplomatic problems, and surely closely resembles the French ex-Prime Minister.

**THE HUNDRED DAYS**  
by Patrick O’Brien  
HarperCollins £16.99, 281 pages

ter Laurent Fabius.

Aubrey’s Adriatic campaign is curiously under-described, and O’Brien allows himself remarkable vaguenesses of space and time in the exhaustively charted Mediterranean; at one point the *Surprise* sails “right off the known track of the sea”. There is little on Aubrey’s and Maturin’s inner – and private – lives, and Aubrey in particular is absent; it is as if his spirit is on board, in his 48th year.

But this is a well-furnished book. Aubrey’s and Maturin’s lives go comfortably on. O’Brien adds to his long, episodic meditation on “the great difficulty of marriage”, and puts into a woman’s mouth the simple unrespectable truth – usually noted by women – that “men, upon the whole, are kinder than women”. An eikosiology stands to a trilogy as three stands to 20, and an eikosiology is what we now expect of O’Brien.

In fact the onus is on him to produce at least 24 books, to match Homer’s *Odyssey*. There is a great deal for Aubrey and Maturin to do in the next decade – the Chilean, Peruvian and Brazilian wars of independence all require their attention – and a large number of us want to know what happens next.

## Musicals with a mission

Brian Morton explains why Stephen Sondheim’s work is too unsettling for some

with an entry into the fashion business. Young Steve spent his days with friends, at camp or at military academy, which against all expectation he loved. By then his parents were separated and would divorce. In later years, Foxy tried to command her son’s attention with a false suicide bid and later wrote to tell him that her only regret was giving birth to him. Sondheim responded to later, more contrite letters with a simple Xerox of her abusive one (although the better revenge was the Mother From Hell in *Gypsy*).

There are personal reasons for Sondheim’s strange air of displacement and solipsism, even in a form as collaborative as musical theatre. He was the child of selfish parents, his father indulgent, his mother more ruthlessly so. Their marriage was little more than a business deal, providing Herbert with a talented designer and Foxy

the experimental *Allegro*, and his “real” family the enforced collectivity of the theatre. He was to say that he didn’t know love until his 60s – with Peter Jones, a teetotal vegetarian New Ager from Wyoming and the antithesis of the urban sophisticates who had made up the Sondheim circle, and who still dominate the foreground in Craig Zadan’s 1996 portrait, *Sondheim & Co*. It is clear, then, that he deeply loved actress Lee Remick and might even have married her.

All these are powerful indicators and Sondheim draws a convincing, unpuritan picture of a shy and slightly fugitive man. Yet why he became the artist he did is

only hinted at. Sondheim’s gift for language is innate, almost mathematical, though he confesses to abiding embarrassment at having an uneducated Puerto Rican girl sing “It’s alarming”

**STEPHEN SONDHEIM: A LIFE**  
by Meryl Streep  
Bloomsbury £20, 448 pages

how charming I feel” in *West Side Story*.

What distinguishes him from his peers is an infusion of the anarchic leftism that ran through even prosperous Jewish New York in the 1930s and early 1940s; a matter of cultural stance rather than card-carrying politics.

The latter pair are the key

Sondheim works, in the way they broke a new theatrical maturity out of childhood excess and ambiguity. They are typical, too, in that they

The social responsiveness of *West Side Story*, on which he worked with another Sondheim subject, Leonard Bernstein, has aged less well than the songs, but it is still there. Sondheim is obsessively concerned with conflict and with power relationships, easy enough to see in *West Side Story* and *Assassins*, and in the *Pacific Oceans*, but much more strangely inflected in the melodrama of *Sweeney Todd* and the fairy-tale environment of *Into the Woods*.

The latter pair are the key Sondheim works, in the way they broke a new theatrical maturity out of childhood excess and ambiguity. They are typical, too, in that they

are also

self-consciously about acting and pretending, about the theatre itself.

Thirty years before Cameron Mackintosh saw its potential, Sondheim considered making a musical (an opera) out of *Sunset Boulevard*. In *Pollies* he conjures up a similar world, bitter, left-over, but somehow grand in its decline. Sondheim’s verdict on it is the best summing up: a show which came to signify “the death of a certain kind of musical theatre and its evolution into one that was going to be more sophisticated, more knowing, more nuanced and entirely devoid of sentimental illusions”. In words and music, that is what Stephen Sondheim has done.

They should expect to suffer

two considerable personal losses; but they will

## Rereading/Ann Geneva

## Everything in the garden’s crazy

only did he share his discoveries, but few visitors left his garden without some of his many treasures accompanying them. Heir to a family fortune acquired from the felt trade, E.A. Bowles could devote his life to cultivating his garden at Myddelton House, Enfield breeding new plant species, and travelling the world in search of rarities. Now the re-issue of his gardening books, first published on the eve of the Great War and immensely popular in their day, beckons us into his world.

Their sense of immediacy is acute, as the author’s voice: he even offers the

reader his “trowel-hardened hand” for a saunter through his garden, in which by far its most entertaining feature was “The Lunatic Asylum”. The kind-hearted Bowles could not bear to eliminate those unfortunate plants too odd to associate well with others. Instead he set aside a substantial portion of his garden (previously occupied by evergreens he complained resembled a magnified dish of spinach) as a “home for deformed plants”.

This domain eventually included one of the first corkscrew hazels, a rescued pygmy elder, a laburnum pretending to be an oak, a viburnum which, “suffering

from melancholy madness”, refused to flower, and several “sufficiently crazy” strawberries among many others, all of which he states, were certified insane before being admitted to this select company.

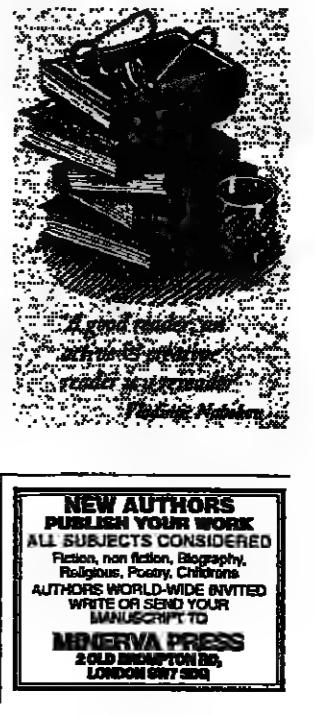
Yet for all “Gussie” Bowles’s own gentleness and generosity, we are also reminded that backbiting and competition in the gardening world is not a modern invention. When Bowles was asked to distil some of his wisdom into a book a pugnacious garden expert, Reginald Farrer, who had shared Bowles’s plant-hunting expeditions in the Alps, was allocated the

book’s original preface (now provided by Gussie’s great-great nephew Andrew Parker Bowles). Farrer deployed his admiration for Bowles’s rockery, with its natural display of alpine plants, as a shield under which to attack another alpine aficionado, Sir Frank Crisp.

Although never mentioned by name, the entire gardening world recognised Crisp as the intended target of such barbs as “the very rich are out to purchase the glories of the Alps at so much a yard”. For Crisp, in the tradition of Lord Elgin and his marbles, had recently transported the

Matterhorn to his four-acre Chelsea Flower Show, distributing his pamphlet, *Mr E.A. Bowles and his Garden: A New Parable of the Philistine and the Publican*.

Today’s po-faced Chelsea could do with such living up! Yet despite the fact that over 50 garden plants still bear Bowles’s name and there is a Bowles Corner at the RHS’s Wisley Gardens, Sir Frank Crisp has achieved an even greater immortality. In 1958, Beagle George Harrison bought Crisp’s house in Henley, soon afterwards recording “The Ballad of Sir Frankie Crisp”. A further sort of lunacy, perhaps.



**NEW AUTHORS PUBLISH YOUR WORK**  
ALL SUBJECTS CONSIDERED  
Fiction, Non-fiction, Poetry, Children’s  
AUTHORS WORLD-WIDE INVITED  
WANTS OR SEND COPY  
TO: **MINERVA PRESS**  
2 OLD BISHOPSTON RD.  
LONDON NW9 8SD  
0181 450 0000

## BOOKS

# Down the years on the city streets

Michael Thompson-Noel  
recommends an erudite and  
entertaining history of London

**C**harles Lamb, refusing an invitation to visit the Lake District, told William Wordsworth in a letter that he didn't much care if he never saw another mountain in his life. He had spent all his days in London, he told the poet, and was so in love with it - the lighted shops, the tradesmen and their customers, the playhouses, the crowds and wickedness and

beginning, with London's first 1,000 years (AD43-1066), and continues to the present day, concluding with the observation that "the challenge now, as ever, is to apply the share of London's vast economic and intellectual resources to solving its enormous social and environmental problems. The words used by William Fitzstephen in the first medieval account of London are as true today as they were in 1173: 'The city is delightful indeed, when it has a good governor.'

Writing the history of Roman and Saxon London, says Inwood, presents special difficulties, even though it has been established that London was a Roman town, not a Romanised version of an ancient British settlement.

Medieval chroniclers liked to trace London's foundation, like that of Rome, all the way back to Homeric heroes. Geoffrey of Monmouth, for example, writing in the early 12th century, had Brutus, great grandson of Aeneas, arriving in Britain (then called Albion) about 1,000 years before the time of Christ, finding it "uninhabited except for a few giants" and turning his hand to building a new Troy - Troia Nova - on the banks of the Thames.

In reality, says Inwood, written evidence, which is overwhelmingly extensive for the city's recent history, hardly exists for its first 1,000 years. Equally, there were no maps of London until the 16th century, and no pictures of much value until the 16th.

Instead, knowledge of early London has come mainly from archaeologists, especially those who, after the second world war, seized the opportunities created



Difficult to get to grips with a traffic jam outside London's Royal Exchange

by **Stephen Inwood**  
Macmillan £30, 1111 pages

drunkenness, the very dirt and mud - that "often shed tears in the mottled Strand from fulness of joy at so much life".

In fact, says Stephen Inwood at the start of his remarkable and absorbing celebration of the 2,000-year-old story of London, there is hardly a place on earth that has been described, praised, analysed or reviled more often, or more skilfully, by as many fine writers (many of them native-born), as London. The impression that emerges from their writings most strongly is that of a city of unsurpassed variety and vitality.

Inwood, who is the Dulwich-born, Oxford-educated son of a London taxi driver, has doubtless read all these writers, yet he has not been intimidated. On the contrary, *A History of London*, which was nine years in the making and contains as much as anyone could wish to know about the affairs of this strange, great, ugly, beautiful city, is - in spite of its length - an utterly winding work, erudite yet entertaining.

It could not be more simply organised. Inwood starts at the

beginning, with London's first 1,000 years (AD43-1066), and continues to the present day, concluding with the observation that "the challenge now, as ever, is to apply the share of London's vast economic and intellectual resources to solving its enormous social and environmental problems. The words used by William Fitzstephen in the first medieval account of London are as true today as they were in 1173: 'The city is delightful indeed, when it has a good governor.'

Writing the history of Roman and Saxon London, says Inwood, presents special difficulties, even though it has been established that London was a Roman town, not a Romanised version of an ancient British settlement.

Medieval chroniclers liked to trace London's foundation, like that of Rome, all the way back to Homeric heroes. Geoffrey of Monmouth, for example, writing in the early 12th century, had Brutus, great grandson of Aeneas, arriving in Britain (then called Albion) about 1,000 years before the time of Christ, finding it "uninhabited except for a few giants" and turning his hand to building a new Troy - Troia Nova - on the banks of the Thames.

In reality, says Inwood, written evidence, which is overwhelmingly extensive for the city's recent history, hardly exists for its first 1,000 years. Equally, there were no maps of London until the 16th century, and no pictures of much value until the 16th.

Instead, knowledge of early London has come mainly from archaeologists, especially those who, after the second world war, seized the opportunities created

by spifiters, this is a soft target. And its softness gives Barnes a serious structural problem with his story. We get the point of it within the first 50 or so pages. What happens next?

Alas, too little. Sir Jack the tycoon-bully reveals his tragic flaw, at least thanks to the espionage of astute Martha: it is, rather predictably, the sexual gratification that comes from being put back into the nursery under firm female hands. In the context of the story, Sir Jack could surely have brazened this one out, and declared he was practising a quintessentially English vice. Instead it becomes the cause of his eclipse, and Martha's rise.

She presides over the success and problems of the miniature virtual state that is created on the Isle of Wight, allowing Barnes to play with the conundrums of virtuality ("There seems to be a slight problem with the smugglers." "What's the problem?" "They're smuggling"). But otherwise it novel peters out. None of its characters invites much sympathy. Intellectually it has nothing original to declare: the phenomenon of fabricating national identity at heritage sites has already been analysed (see *Outsider's excellent study, The Englishman's England*).

In narrative terms it feels like nothing so much as a nice short story pushed too far: a good idea, crying for the genius of Evelyn Waugh.

But what next? Europe's single currency looms and Britain once again must choose between emotion and realpolitik. Peter Preston, who coincidentally was

disconnected events, and to distinguish the normal from the exceptional in [its] history."

One of these themes is London's reliance on migrants, who have helped maintain its economic, cultural and demographic vigour. Until this century, London was an exceptionally unhealthy place, and without a steady flow of newcomers, who have regularly boosted its economic success. London's population, says Inwood, would have been in almost constant decline.

He says that London's purpose as a city has never been straightforward.

Londinium was a military stronghold, a centre of government, a trading and industrial town, and a place of recreation and luxury.

As time went by it lost some of those roles and gained others, but since the Mid-

ages has nevertheless dominated English life because of its wealth, influence and magnetism.

A lot has happened to London lately. Between the 1980s and 1990s it lost two of its most important traditional roles - as a port and as a manufacturing city

- but retained its historic functions as a service town, financial capital, home of central government and the professions, and as a centre of leisure, shopping and tourism. These, says Inwood, rescued it from collapse, though not

from decline.

There are so many Londons, says the author, that a single book is bound to ignore or under-value many of them. For example, he says, George Sims's lively, multi-authored *Living London*, of 90-odd years ago, had chapters on dozens of Londons, many of which - including dancing London, cat and dog London, gardening London, equine London, cycling London, lollioning London and lunatic London - are given less than their due in *A History of London*, if, indeed, they feature at all.

Instead, Inwood says he has

found himself drawn to looting London, evicted London, kerbstone London, hospital London, newspaper London, criminal London, afflicted London, money London, water London, hooligan London, servant London, music London, and to one or two others - his

tendency being to spend more time on sick, disgruntled, hungry and disreputable Londoners than on contented and comfortable ones. This is a wonderful book.

## New fiction/Philip Stephens Politics laced with satire

until quite recently Young's Editor at the *Guardian*, has chosen a completely different form to recast the familiar agonies. Preston looks to the future through the prism of a novel which stands intriguingly, if sometimes awkwardly, between political thriller and biting satire.

We start two or three decades hence in a world in which the excitable promise of Blairism has long faded from memory and the Tories once again hold the reins of power. After the usual protests and prevarication Britain has signed up to the euro and stands on the brink of transferring foreign policy to Brussels. The Tory Eurosceptics live on in what has become the British League but the mood, as now, seems to be one of salutary ascence in further European integration.

Then comes the jolt. The hankering after past glory which has bedevilled British politics since the victory of 1945 somehow finds its voice. There are still enough Englishmen, it seems, who refer to Germans as Huns or

Krauts and Italians as Etruscans to raise the standard for King and country. Rupert Warner, who has quit the Conservative cabinet after a deathbed homily from his father (Goose Green and all that) finds himself at the helm of a movement which forces Britain's withdrawal from the European Union.

Predictably enough Warner, now prime minister, finds isolation less than glorious. The continentals cut up rough (led of course by the Hun) and the voters are soon disgruntled by the loss of investment, trade and jobs. A free trade agreement with the old ally in Washington seems simply to replace one international economic tyranny with another to undercut what's left of domestic industry.

It is here that Preston's novel metamorphoses from plausible politics into satirical sketch. Warner chances

on a coincidence of interest with Mark Tate, the incoming American president. Tate wants to restore the culture of the founding fathers to a nation which is fast becoming as Hispanic as it is Anglo Saxon. Warner wants to prove to Germany's nasty Hermann Gross and France's scheming Alain Peyerlite that England can find a more prosperous future across the Atlantic than was ever on offer from the other side of the channel. What better marriage than one between the old colonial power and its most successful progeny. No matter that Warner himself is reduced to the role of senior senator and the King's place is henceforth to open the Superbowl.

Preston writes with nice irony. And the central theme is garnished with numerous sub-plots. Jenny Warner is as sexually athletic as she is ambitious. Mujib Khan, the Pakistani tycoon with the money behind a doomed attempt to restore national independence, doesn't find it hard to trace his ancestry to Jimmy Goldsmith. And the denouement brings an unexpected twist.

This is the author's first novel and it is a good read as well as a clever parable. But it is not, as the publicity claims, in the same class as *Primary Colours*. And those looking for answers as well as entertainment will be disappointed.

Pinsky is playful, but he doesn't dally. Concise, direct, he favours practice over theory and avoids jargon wherever possible.

Much of the fun in reading *The Sounds of Poetry* comes from Pinsky's adroit use of well-chosen examples. He borrows lines from several dozen poets, including Johnson, Donne, Hardy - and Hopkins. But mostly he quotes Americans, especially Frost, Stevens and William Carlos Williams. When Pinsky takes a good poem apart and puts it back together again, there's no deadening effect. Rather, our appreciation of the poet's skill grows. That's a sure sign of valuable criticism.

As to the other problem - how to tell a good poem - here is Frost's ageless advice: "Read it a hundred times: it will forever keep its freshness as a petal keeps its fragrance."

## Fiction/Nigel Spivey Poking fun at heritage

**P**ity the Isle of Wight. For most of the year it is England's disregarded appendage: a sulking witness to the worldly commerce passing it by in the Solent; a quietude where garlic grows, prisoners meditate, and most houses are shuttered against the damp. Then - for a matter of six weeks - it is a favoured place. Not only for the yachting types, but wholesome families too. On the east side of the island former cabinet minister Virginia Bottomley may be glimpsed marshalling egg-and-spoon races for myriad clean-limbed children. On the west side courteous bikers take Tennyson's premium air. "Just like England used to be before the war", remark the elderly visitors. The seasonal communities group at the regattas and the yacht club dances. Then they pile into their Discos and go. The little terror of garlic is quiet again.

Writers prize this refuge, of course: J.B. Priestley took a mansion near Carisbrooke Castle, and the chances of sighting a migratory novelist on the island remain good - David Hughes, Bernice Rubens, Beryl Bainbridge, and so on. Julian Barnes, however, seems less enchanted. When one of his characters in *England, England* summarises the Isle of Wight as "a bungalow dystopia where you can't even get a decent cappuccino", the

author's experience is surely echoed. And what Barnes fictionally proposes for the island smacks of a curse. *England, England*. The title should be understood as an address. Set early in the next millennium, this fan-

**ENGLAND, ENGLAND**  
by Julian Barnes  
Cap £15.99, 284 pages

tasy imagines an Isle of Wight entirely turned into the theme park of quintessential England. Lock, stock and barrel: including not only portcullises, stocks and warm ale, therefore, but whatever we or the world perceives as "English". Beef-eaters. Yorkshire pudding. Manchester United. Nell Gwynn and Royal, bowler hats and buggery.

The project is dreamed up and executed by a tycoon called Sir Jack Pitman, the other protagonist of the story: he is mostly his immediate entourage of advisers, chiefly Martha Cochrane, a vocational cynic. At first we are gently introduced to

## Poetry on borrowed breath

Adam Begley enjoys a booster-shot of poetical know-how

aside the poet and the aspirant poet, the rank amateur who has no scribbler's ambition but who has nonetheless found that 15 minutes devoted to a poem opens a lasting moment of fresh-air calm in a day shrunk-wrapped by busyness.

Pinsky, the Poet Laureate of the US, shares with Hopkins the notion that poetry is a vocal art. "The medium of poetry is a human body," Pinsky writes, "the column of air inside the chest, shaped into signifying sounds in the larynx and the mouth. In this sense, poetry is just as physical or bodily as dancing." Pinsky argues that poetry is also an "intimate" art: it borrows an

individual reader's breath. And the reader need not be an expert. Expertise is required only on the writing end: the breath borrowed can belong to anyone who speaks the language with ease.

The "poetic" delivery favoured by Hopkins is exactly what Pinsky argues against. Again and again he reminds the reader to "say the lines in a natural way, without thumping at the patter, without pausing unnaturally at the ends of the lines, and without any hammy over-expressive interpretation."

He wants the reader to hear a wide range of effects, some subtle, some pronounced. There's rhythm, vowel and consonant. In many poems there's a tug-of-war going on between some or all of these elements. The more you know, the better you enjoy.

## THE SOUNDS OF POETRY

by Robert Pinsky  
Farrar, Straus & Giroux \$16.  
129 pages

## Business. And Pleasure.

To order any book in the FT  
freephone 0500 500 635

## FT Bookshop

250 Western Avenue, London, W3 6EE

Fax +44 181 324 5678

Corporate accounts welcome

## FINANCIAL TIMES

No FT, no comment.

## ARTS



Illustrating the Scottish colourists' love affair with France: 'The Blue Hat - Closets des Lilas' by J.D. Fergusson

## Light and warmth from the south

William Packer finds Edinburgh enhanced by exhibitions influenced by New Zealand and France

**E**dinburgh Festival's non-engagement with the visual arts does not mean any lack of visual interest in Edinburgh at festival time. Quite the reverse - there has been plenty worth seeing. But the great festival shows of the past will only come back with a policy of programmed integration and financial support.

But enough of that. The City Art Centre is filled with its customary collection of small, serious and attractive exhibitions. A surprise among them is *Southern Lights*, which celebrates the local school of landscape painting over the past 150 years in Dunedin and the evidently spectacular Otago Peninsula on the south coast of New Zealand's South Island. The district was settled largely by Scottish emigrants, used to brisk weather and mountainous country, and the fine documentary photographs of the first town have a peculiar poignancy - at once infinitely remote, with their cabins and unmade roads, and yet deeply familiar in

The evidently spectacular Otago peninsula was settled largely by Scottish emigrants

by a delicious drawing of his 1870s young lady students hard at work in a country lane. Alfred O'Keeffe is another notable Victorian, with his vigorous Impressionism. Of the living artists, Tessa Wollaston, now nearly

20, stands out, and Dick Fizzell too, at a mere 55.

Downstairs, *First Among Equals*, setting William Gillies among his peers, is an important pendant to his centenary retrospective at the RSA, which I reviewed last week: important as much as anything for the breadth of disciplined and sophisticated talent it displays within a remarkably coherent school of artists, from Maxwell, Redpath and McTaggart to Blackadder and Michie.

Further down again is *Full of the Warm South*, an account of the Scottish Colourists. Peplow, Cadell, Hunter and Fergusson, in their love affair with France. Fergusson's is the dominant presence, usefully bringing forward his work between the wars, the landscapes and rather mannered and symbolic nudes that have generally been neglected in favour of the more familiar Fauvist work he did in Paris before 1914, glamorous young women in spectacular hats at the *Closets des Lilas*.

Down in the basement is the greatest surprise of all, the first public display of young

hungry Lioness, rare beast indeed, that the Cramond ferryman noticed emerging from the mud beneath his boat early last year. Cramond, some six miles to the north-west of Edinburgh, was for a short period in the mid-2nd century AD the site of a strategic Roman fort.

A contextual display surrounds the creature, setting out her Roman origin and funerary purpose, but it is what she is in her physical presence that really matters, weathered to a refined sculptural simplicity but as active and powerful an image as ever, crouching over the tiny human prey she is in process of devouring. More than among the finest pieces of Roman art to have been found in Britain, she is as fine a work of sculpture as could be wished.

Portolio, Edinburgh's tiny, admirable gallery of contemporary photography, is showing new work by Paul Graham, set in the late-night bars and clubs of an unnamed central European city. The images he calls "The End of an Age" are all single portraits of young

people set in complementary opposition, one deliberately blurred and indistinct against another as sharply focused as it could be.

The socio-political references of the exercise are crassly obvious - escap-

ing as they are presented as photographs. And as their message falls away, these are very beautiful.

Finally, a mention for the excellent Jock McFadyen and his large show of recent work now at the Talbot Rice Gallery - views and details of deserted Underground Stations, crumbling hotels and cinemas from Leith to Hackney. I reviewed the show he shared in London with the equally excellent Humphrey Ocean, so I won't repeat myself. But do see it.

**A Feast for the Eyes - Southern Lights** (Gillies and His Contemporaries/The Scottish Colourists in France) Pax Romana - the Cramond Lioness: City Art Gallery, 2 Market Street, Edinburgh, until October 3. Paul Graham - End of an Age: Portolio Gallery, 43 Candlemaker Row, Edinburgh, until September 19 (from 12.00 Tuesday-Saturday); sponsored by Fuji Photo Film (UK). Jock McFadyen - Looking out to Sea: Talbot Rice Gallery, Edinburgh University, until September 12.

**The greatest surprise of all is the first public display of the hungry lioness found in the mud at Cramond**

ism, enjoyment and indulgence, the hard reality to which all must return: the collapse of the old order, and the new not yet in place. Where, who, what are we? The hugely inflated size of the actual prints serves only to emphasize the self-conscious portentousness of the message. But it is good to see photographs, even photographs with a fashionably

## Television/Christopher Dunkley

# Drama at the cutting edge

**T**oday BBC1 begins its 13th series of *Casualty*, one of the most popular dramas in the corporation's history. It is not realistic, of course. If you showed on screen what really happens in casualty departments, most viewers would switch off. On television you see moderate amounts of blood, but not vomit and faeces - not in realistic quantities, anyway. You get a bit of pushing and shouting, but not the frequent violence from drunks and lunatics which occurs in real life. You see people frightened and in pain, but not at the end of their tether, locking their fingers round the wrist of the nearest person and screaming for God and their mother.

That is what really happens. I know. I was a porter at Paddington General Hospital in the 1960s. I have worked Friday night shifts in casualty, Friday being payday, and therefore drink day, and consequently fight day. I have helped to deal with two people, unrecognizable as women, who had fought one another with broken bottles. I have held the hands of a teenage motorcyclist, delivered in pieces by the ambulance after he drove head-on into a concrete lamp standard. He lived. I have held the drip for a baby as a young doctor strived, weeping, to save his life. He died. I have joined in the defensive gallows humour. I have played "Hit The Kidney Dish" using hypodermic full of unmentionable liquids as water pistols.

All that was years ago but, judging from *Casualty's* two-part story which opens the new season tonight and continues tomorrow, not a lot changes. Casualty departments really do deal in life and death, which is what makes them such suitable locations for drama.

They can become a mad vortex in which anything can happen - sometimes to the virtual exclusion of anything else, it seems, and to the detriment of professional activity - could simply be a bit of dramatic licence. Drama devoted to pure medicine, unalleviated by a bit of how's-your-father, could scarcely be

expected to command audiences of 12 or 13 million on a Saturday evening. Yet occasional personal experiences of hospitals as a patient in recent years suggest that *Casualty's* version of hospital life is actually not too unrealistic.

The old idea of presenting a rigid professional front to the public seems to have collapsed along with the British stiff upper lip. Today, in the age of Oprah and Esther and our deeply feeling prime minister, the fashion is to let it all hang out seem to have spread even into hospitals. In my day every nurse wore a watch on her apron to take your pulse. Today she wears her heart on her sleeve to detect your sympathy.

*Casualty* reflects that change and in a way that is often highly entertaining.

those long-gone days of lovingly crafted children's programmes, its light entertainment plumbs depths previously unsounded. The *Late Night* on 4 slot is proving a Bermuda Triangle of quality, despite desperate repeats of such confirmed successes as *Goodness Gracious Me* and *William Donaldson's A Retiring Fellow*. The latest damp squib is *The Goldfish Bowl* written by Shatun Prendergast, hitherto known as a talented actor. Centring on two goldfish, it has

Malcolm McKeon's adaptation necessarily cut and condensed, but in *Rosemary Watt's* production captured Nesbit's mixture of warmth and dry humour.

Julia McKenzie was every inch a nice Edwardian mother remembering an afternoon as long and golden as Alice Liddell's boat-trip half a century before. Simon Carter was the Pussmead.

This being radio, it was easy to imagine his round furry body, eyes on stalks like a snail's, and monkey arms. E. Nesbit was not a prettier. Let us hope Disney never gets hold of her. The whole experience was more persuasive in getting children to read books than any amount of caring exhortations that sincere voices the prime minister does so well.

If Radio 4 can still evoke

## Radio/Martin Hoyle

# Dangers of jumping on the magic carpet

**D**oes Tony Blair live in a world of fantasy? Free of visual distractions, radio news provides a clearer outline of the long-running saga of our premier's love affair with the communications media. Last week, you remember, he hinted darkly that it was in his power to "lure out" the Omagh bombers. He knew who they were, how they could be got at. A few days later, the radio told us, the local security forces were reconstructing the moments prior to the bombing in an attempt to jog memories, trying to get a clue as to the terrorists' identity. If Tony knows he's not telling.

Mostly effecting a simple fizzles out with a thrown away explanation that the killer has been recaptured.

Adshad has a relatively crude ear for dialogue, too, by comparison to her sharp thematic eye. Perhaps because of that, Sarah Davy's production (for Bold & Saucy Theatre Company) feels dragged out. This is a shame, since several performances are very good, not least Adshad herself, playing the blowzy Liz, a powerful woman failing to cope with the onset of age and insecurity.

Anthony Sergeant's warty Jay Stern is particularly impressive - his tactful rejection of Liz's romantic overtures ("It's been a lovely evening . . .") provides a moment of incongruous realism. But by and large, the play fails to live up to its serious ambitions - to take an analogy from pornography, it would like to be *Lost Tango in Paris*; it ends up as *Carry on Ennui*.

**Robert Hanks**

Lyric Hammersmith, London W6

**T**ime was pornography was a handy encapsulation of everything that was wrong with the way men treated women. Times have changed, though: the central setting of *Juicy Bits* is a publishing company that specializes in pornographic novels for women; and now the porn debate is less about what men do to women than about what women want from men.

This question goes back at least as far as the Wife of Bath's tale, where the answer turned out to be that women wanted dominion over their husbands.

Kay Adshad's play comes up with less clear-cut answers. Liz Sharp, for example, may once have wanted to put men in their place when she was a radical feminist publisher; but now she is a porn queen who wants true romance - or failing that, an assertive role - from Jay Stern, novelist and love of her life. Chloe, the ambitious market researcher she is employing

to investigate women's sexual needs, wants a mutually supportive relationship with her loving husband Leonard, but she also wants unnumbered sex with a number of casual acquaintances, including Jay.

Leonard, meanwhile, though a model of sexual fidelity, betrays Chloe in more subtle ways at his weekly assignments with Bella, Liz's cleaner; no hanky-panky takes place, but he is undoubtedly intimate with her in ways he never is with his wife. Bella, meanwhile, has to cope with Sef's long-term failure to achieve an erection, and her flatmate's disapproval.

It is all rather complicated.

The opening scene has Liz commissioning Jay to write an erotic masterpiece to rival *The Story of O* or *Analis Nin*; a strong premise that results only in some forced

**Shows & Performances/Star Times**  
Warcorn Competition 1998: An exhibition of 2000 entries from 100 countries of the world's best in art, design, fashion, architecture, film, television, music, literature, theatre, sport, food, drink, travel, technology, science, and more. 9-19 September, 10-13 October. Most weeks are for sale. £10. Tel: 01322 482200.

**ST. JOSEPH'S HOSPICE**  
MARE ST. LONDON E1 4SA  
(0181 251 0000)

*For an old friend or former friend  
Death comes with friendly care  
The opening lead to Heaven's gate  
And leads it blossoms there*

*Saint Taylor Course  
Sister Superior*

*Thanks to the continuing generosity  
of our many friends and supporters  
we are able to bring care,  
care and comfort to the terminally ill  
so that death may indeed  
"come with friends care."*

## ARTS

# Fancy-dress and coolish-Britannia whimsy gets frisky

National characteristics will out at an international film festival, writes Martin Hoyle from Edinburgh

**S**ome of the Edinburgh Film Festival's big glamour guns – including *The Horse Whisperer*, *Primary Colors* and *Velvet Goldmine* – have been reviewed on their London appearance, others will be when generally released. Of the American offerings, Whit Stillman's immaculately Austenesque *The Last Days of Disco* (reviewed this week) easily stood out, while *Fear and Loathing in Las Vegas* was an exhilarating surprise: Terry Gilliam's hallucinatory visual gift shaped and controlled for once, perfectly matched to Hunter S. Thompson's romping bad trip through the acidly viewed decline of Nixon's America. An unrecognisable Johnny Depp proves himself a better actor than any Hollywood pretty boy has a right to be.

International art or not, national characteristics will out. The twin streaks of fancy-dress ploy and frisky coolish-Britannia whimsy were apparent in home-grown offerings. *The Tichborne Clambers* took a Victorian scandal – a butcher from Wagga Wagga claimed to be the vanished heir to a wealthy baronetcy – and turned it into a parade of well-loved éminences grises of British character acting, even trundling on the talismanic presence of a faintly bemused John Gielgud. Fifth-form iconoclasm about British imperialism (I think) and a fatal mixture of tones – including a seething *homage to Kind Hearts and Coronets* merely emphasise the galumphing pace. Won't wash. As Hugo said, it is permissible to violate history provided one has a child by her. This is merely a feeble grope.

Sumptuously filmed, *The Governess* is sometimes overwhelmed by its sheerly visual opulence, but Sandra Goldbacher's first feature is a more assured slice of Victoriana. Clever Jewish girl taken on as tutor in Scottish ga-

ter-regulated French households. The dead secretary's sister turns up in search of the missing girl and the business partner also acts true to form by whisking her into bed. Eschewing anything so visceral as suspense, the film drags its weary length through much cryptic chat between sullen people. A white-out screen in mid conversation after two hours heralds an interval. With another 50 minutes to go, I slipped whimpering from the cinema.

Erick Zonca's *La Vie réelle d'anges* garnered a joint best actress award at Cannes for its two stars, Elodie Bouchez and Natacha Regnier. Their characters, respectively cheerfully footloose and sourly love-starved, make for an oddly haunting friendship.

Nothing haunts in Alain Resnais' lightweight latest, *On connaît la chanson*, not even the snatches of famous songs lip-synched on to equally famous actors in a conscious tribute to Dennis Potter and *Pennies from Heaven*.

This frothy round dance of bourgeois Parisians, their secret loves and glum aspirations, acknowledges another English *maître* in its cross-purposes and bottled-up emotions, as revealed by a poster for Scarborough improbably sited on the wall of a chic Paris flat. Alan Ayckbourn's *Hélas*, Resnais is no Ayckbourn. And in this it is himlessly leaden soufflé not much of a Resnais either.

Among the independents, *Pi*, fresh from acclaim at the Sundance Festival, gives every sign of becoming a cult. Gloweringly portentous, luminously shot in black and white, it combines the requisite fashionable ingredients of conspiracy theory (both Wall Street and militant Judaism) plus a dash of cryptic science. Director Darren Aronofsky's first feature is more assured in style than content. A great future awaits him in *The X-Files* unless he can avoid it.

As with any festival worth its salt, Edinburgh's true worth lies

in the revelation it affords us

from unexpected quarters. Alexei Balabanov's *Of Freaks and Men* is a disturbing, poignant and ultimately nightmarish story of early photography – and pornography – in turn of the century St Petersburg. Shot in sepia tones, the film with its gallery of corrupters and corrupted, predators and prey, raises questions of innocence (does it even exist?) and original sin.

Images that linger are the Siamese-twin Mongol boys with angelic voices forced to sing before packed auditoriums while still derided as freaks. The mood is a blend of Gogol and Bulgakov; and the permanently grinning Viktor Soukhovroukoff as the photographer's henchman is an evocation of pure evil as frightening as anything in *M or Moustache*. A French-Taiwanese produc-

tion, *The Hole*, also goes surreal on us. The hole in question is made by a clumsy plumber through the floor of a flat into the apartment beneath. The constant rain, scarcity of daylight and radio reports of an epidemic that makes its victims scurry in search of dark damp hiding-places on all fours set an apocalyptic tone.

The locals are being evacuated but some lonely individuals are keeping to their flats, growing more obsessive in their non-communication. Hinging at a cross between *The Metamorphosis* and Polanski's *Repulsion*, the film by Tsai Ming-liang of *The River* also has its share of musical fantasy interludes (*Pennies from Heaven* has much to answer for); but it flails

brick walls beneath the baking sun, and in *Central Station*. The latter, the top prizewinner at Berlin, is the warm-hearted if soft-centred story of a streetwise and cynical old woman who takes an orphan child across Brazil in search of his father. Only in one sequence, where a pifferer is chased and finally shot in summary justice, do we sense the brutality of a country where street children are reportedly rounded up by the police for God knows what fate.

The mood of Walter Salles' film is less *Los Olvidados* than *Paper Moon*, with Fernanda Montenegro and Vinícius de Oliveira standing in for the O'Neals. Ryan and Tatum, as the abrasively paired adult and juvenile who dislike each other initially... You can guess the rest. But it's still a real charmer.



Steamy sex and pioneer photography in an assured slice of Victoriana: smouldering Minnie Driver (left) in Sandra Goldbacher's first feature, 'The Governess'.

## Theatre/Alastair Macaulay

# A honed 'Hamlet' and Pinero revamped

**A**lthough Yukio Ninagawa is justly known as a wizard of technological stagecraft, the focus of his *Hamlet* production falls, invariably and refreshingly, upon his actors. Theirs is acting as craft, good old-fashioned skill, absolutely honed, and frequently very economical.

These performers all know how to stand still, how to raise an arm with authority, and how to project their voices without flamboyance or strain into the wide Barbican Theatre. Much of what they do is naturalistic, but, in its impressive restraint, you sense the lineage of a tradition of formal Japanese acting in which an isolated syllable, the flick of a sleeve, the turn of a head may express paragraphs.

Though the play is given in Japanese without subtitles, it is a much clearer account of *Hamlet* than we often encounter in English: you need little acquaintance with the play to know exactly where you are at every moment. One look at Hamlet, Ophelia, Gertrude, Fortinbras et al, and you recognise them at once. Sure, they were in partly Japanese attire; sure, non-Japanese speakers cannot tell precisely which line of a monologue or dialogue is being spoken; and yet this feels much more like *Hamlet* than most British produc-

**N**onetheless, at least to this non-Japanese viewer, this is *Hamlet* seen only from the outside. As the prince, Hiroyuki Sanada is rather like the ballet dancer Anthony Dowell: he does too much twirling theatrically in his cloak, and draws too much attention to his wrists and striking *épaulement*.

Elsewhere, there are some unnecessary Big Moments: a slower-than-slow tragic exit for Gertrude up a staircase, some fingernail-scrapping along floorboards for mad Ophelia. But everyone is involved in communicating harmoniously, a play and style larger than themselves. This is not *Hamlet* as encompassing spiritual drama. As serious narratives, however, and as dignified acting, it is a rare event.

The Orange Tree Theatre, Richmond, makes no bones about the fact that Pinero's play *A Wife without a Smile*



A rare event: Takako Matsui and Hiroyuki Sanada in the Ninagawa Company's 'Hamlet'

Nigel Harniman

was a flop in 1904. And its new production succeeds just as you might hope: the audience relaxes into laughter from the first minute, everyone sees quite why a 1904 audience might have felt uncomfortable, and the play is so agreeably and briskly performed that it never flags.

Actually, this achievement is more exceptional than you might suppose. Pinero has become remarkably hard to put across in the more liberal climate of today. Often in his comedies he seems to address the hypocrisies, snobberies, and prejudices of the complacent bourgeois world only – after a little comic embarrassment – to command them. Three times

at Chichester during the 1980s I have found myself loathing a Pinero play with violence, because its attitude seemed, now, repellent.

But Pinero was a craftsman, and it is possible to give his plays new life if one gives him full value – making both his values and his skill real. The charm of the *Orange Tree's* *Wife Without a Smile* is that it does not take sides. You laugh with the jokester Mr Rippingill and his chum Mrs Lovette about the humourlessness of the new Mrs Rippingill – but you also see how callow Rippingill's pranks are, and you find his wife, from the first, a surprisingly touching figure.

His worst prank – to sus-

pend from the ceiling a doll that will vibrate whenever 'spooning' or similar (presumably amorous or erotic) activities occur on the sofa in the room overhead – really is a perfect stroke on Pinero's part, because (at least in 1904) it is constantly funny but also vulgarly insensitive. So it illustrates Rippingill's character: and, by a nice plot twist, becomes in due course the petard upon which he himself is hoist. Then the plot goes on twisting until we see hypocrisies all round.

Consequently it takes very well to the *Orange Tree's* space, with the audience on four sides of the action and on two levels. Dominic Hill directing, keeps matters at a

keen tempo, but full of nuance. The double play between Mrs Lovette and Mr Rippingill, as played by Tricia Kelly and Richard Heffer, becomes the high point of the evening, out of context, it is impossible to explain why some exchanges – Rippingill: 'Mention my name', Lovette: 'I will' – are as hilarious as they prove. No performance is more rounded than Kelly's: but Sarah Tansey, in the title role, leaves an affecting, subtle impression upon memory. The entire ensemble, including a captivating toy elephant, moves with a swing. In 1904, *A Wife without a Smile* seemed naughtily Parisian; in 1998, it seems irreducibly English.

It

## Cabaret/Anthony Thorncroft

# A diva with attitude

**L**ondon's Donmar Warehouse is concluding its short season of summer cabaret (it ends today) with a British diva, Imelda Staunton. It is, of course, a joke, and one that is enjoyed as much by Staunton as by the audience.

To join the diva's club you must take yourself terribly seriously and totally lack a sense of humour; Staunton is wildly funny, not least about herself. You must also be of imposing presence:

Staunton is on the stocky side of short, a red-haired and feisty Irish battlecock. But she spends a happy two hours, singing a eclectic range of her favourite songs and sending up divas rotten.

"Hera's one I think you will know," she smiles sweetly, adding between clenched teeth "that doesn't give you licence to join in". Halfway through the usual barge about how wonderful it is to be here in London she breaks off – "wait a minute: I'm a north London Equity member who's working this week."

By the interval she is in full diva flow, assuring the audience that she is going off to give the back stage crew hell, be extremely charming to Donmar artistic director Sam Mendes "to his face", and to ask for two hefty stage crew to be sent to her dressing room to untighten her sink.

Happy the jokes do not get in the way of the music. Imelda Staunton is an accomplished character actress

and the knock out numbers are the ones, such as "Frankie and Johnny", where she can get teeth into the story-line and almost explode with intensity. She is not afraid of childhood favourites: it must be some time since the moving "Danny Boy" and the sentimental "You are my sunshine" were heard on the cabaret circuit.

**H**er other material is slightly more contemporary, ranging from the Beatles' number "If I fell" to Buddy Holly's "Raining in my Heart". There is also a generous leavening of country and western and blues, both styles that suit the Staunton commitment. She is particularly scathing about country girl singers who let their men walk all over them and then say sorry.

The Staunton voice is more powerful than true – when she sang "You don't have to say you love me" there were echoes of its creator Dusty Springfield – but she performs with real conviction, more so than most divas. Her "Stand by me" was a knock-out, and if musical director Nick Lloyd's arrangements for the 10-strong band were sometimes too cute, it was good to have backing musicians as brassy as Staunton.

This was cabaret without camp, admirably performed by an entertainer rather than an ego. It makes for an enjoyably relaxing evening.



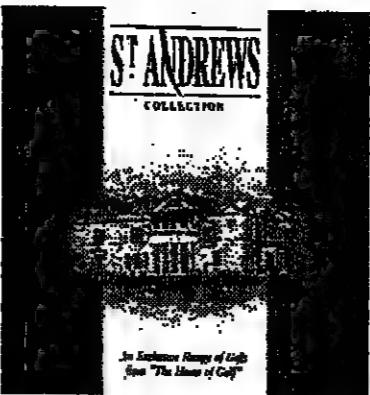
Mildly funny: Imelda Staunton



Father N

## ST. ANDREWS

OLD COURSE JEWELLERS



A collection of high quality golfing gifts. Suitable for that extra special present, company presentation or golfing prize. Many items have the facility to be personalised with company or club logo or even a personal message.

Full mail order service available

### NO ORDER TOO SMALL

Special corporate rates available for bulk orders.

For catalogue contact:  
Old Course Jewellers  
The Old Course Hotel  
St Andrews  
Fife KY16 9ST  
Scotland  
Tel/Fax 01334-478928

Dot at the St Andrews Jig £245

Find 375 original sterling silver gift ideas in our FREE catalogue. All available speedy by post. Most delivered within 48 hours. From super clasp jugs to classic caskets Braybrook & Britten are the silver specialists

Please today for prompt  
receipt of your catalogue.

Tel: 0181 993 7334

Braybrook & Britten Ltd, 12 Park Parade,  
Gummersbury Avenue, London W3 9BD.

100 American visitors to the UK please send £3 for postage.

## KANOPI



Our new Autumn/Winter brochure features collections from Quiver and Comfy Clothes - exclusive hand-made designs in natural fabrics. Accessories also included.

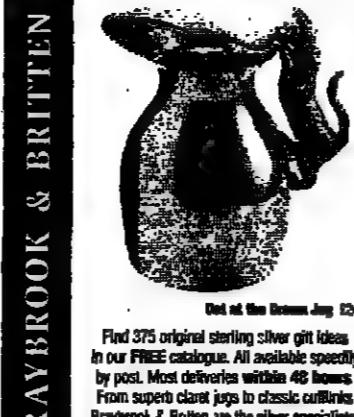
Full mail order service - delivery 2 to 3 days.

For a free brochure please call

0171 625 7899

AVS Dept. FT02, 15 Lonsdale Road  
London NW6 6RA Fax 0171 625 7009

BRAYBROOK & BRITTEN



Please today for prompt  
receipt of your catalogue.

Tel: 0181 993 7334

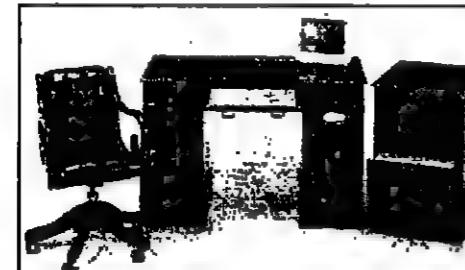
Braybrook & Britten Ltd, 12 Park Parade,  
Gummersbury Avenue, London W3 9BD.

100 American visitors to the UK please send £3 for postage.

## Country Desks

The Number One in Home Offices

### COMPUTER OFFICE GROUP



Regency styled HOME OFFICES illustrated in rich yew wood, available in mahogany and oak. Desk in three sizes. Features sliding drawer for keyboard, cupboard with shelf for housing CPU or storage, sliding mouse platform and double depth drawer for filing. FILING CABINET with two drawers fitted for suspended files, or mechanism to raise or lower seat and control pressure of tilt. Choice of coloured hide to all pieces.

### SEND FOR FREE COLOUR BROCHURE

COUNTRY DESKS, 78 HIGH STREET, BERKHAMSTED HERTS HP4 2BW.  
Call Freephone - Tel: 0800 074 7878 FAX: 0800 074 0318  
or Visit our Web site - [www.countrydesks.co.uk](http://www.countrydesks.co.uk)

### GLOBES

The finest selection of antique globes

### DESK ACCESSORIES

Quality clocks, paperweights, note holders, pens, desk blotters, etc.

### MAPS

We can supply any map you require, framed or unframed

### BAROMETERS

Beautifully crafted functional and aesthetic instruments

### CALL OR FAX FOR A FREE COLOUR BROCHURE

Tel: 0181 897 3353

Fax: 0181 759 5077

E-mail: [antiques@btconnect.com](mailto:antiques@btconnect.com)

WEBSITE: [www.antiques.co.uk](http://www.antiques.co.uk)

11

[www.panamahat.com](http://www.panamahat.com)

established 1990 or call for Brochure

£54.95 plus £2.50 p&p

THE GENUINE PANAMA HAT COMPANY import only the highest quality Panama hats from Ecuador. A genuine handwoven Montecristi superfine roll-up Panama with its own attractive carrying case protects you from the sun's harmful rays. The quality of Panama will not fit in your pocket. Superfine soft Panama hat is £54.95 plus £2.50 p&p. Sizes 6 3/4 to 7 1/2 (head circumference 55 to 61cm.)

for 48 hour despatch call 0171 498 2099

Or write to: The Genuine Panama Hat Company,

140 Battersea Park Road, London SW11 4NB. Fax 0171 498 0990

Please specify if you are not able to provide details of other offers.

16

## DON'T MISS THE CHRISTMAS RUSH

Forthcoming Essential Christmas Luxuries Guides

17th October

18th October

14th November

28th November

Advertising opportunities

please contact:

Stephen Marston

Direct Line:

044 (0171) 873 5503

Fax: 044 (0171) 873 3765

24 Hour Brochure Orderline

## EMMA POLAND

LONDON SW10



Luxury gifts at very reasonable prices. Beautifully wrapped and promptly delivered (some weekly Central London, next weekly UK)

Call 0171 386 5111 or tick box 12 for your free catalogue

Fax: 0771 386 5085 E-mail: [emma.poland@acm.com](mailto:emma.poland@acm.com)

12

[www.panamahat.com](http://www.panamahat.com)

established 1990 or call for Brochure

£54.95 plus £2.50 p&p

THE GENUINE PANAMA HAT COMPANY import only the highest quality Panama hats from Ecuador. A genuine handwoven Montecristi superfine roll-up Panama with its own attractive carrying case protects you from the sun's harmful rays. The quality of Panama will not fit in your pocket. Superfine soft Panama hat is £54.95 plus £2.50 p&p. Sizes 6 3/4 to 7 1/2 (head circumference 55 to 61cm.)

for 48 hour despatch call 0171 498 2099

Or write to: The Genuine Panama Hat Company,

140 Battersea Park Road, London SW11 4NB. Fax 0171 498 0990

Please specify if you are not able to provide details of other offers.

16

## DON'T MISS THE CHRISTMAS RUSH

Forthcoming Essential Christmas Luxuries Guides

17th October

18th October

14th November

28th November

Advertising opportunities

please contact:

Stephen Marston

Direct Line:

044 (0171) 873 5503

Fax: 044 (0171) 873 3765

24 Hour Brochure Orderline

[www.panamahat.com](http://www.panamahat.com)

established 1990 or call for Brochure

£54.95 plus £2.50 p&p

THE GENUINE PANAMA HAT COMPANY import only the highest quality Panama hats from Ecuador. A genuine handwoven Montecristi superfine roll-up Panama with its own attractive carrying case protects you from the sun's harmful rays. The quality of Panama will not fit in your pocket. Superfine soft Panama hat is £54.95 plus £2.50 p&p. Sizes 6 3/4 to 7 1/2 (head circumference 55 to 61cm.)

for 48 hour despatch call 0171 498 2099

Or write to: The Genuine Panama Hat Company,

140 Battersea Park Road, London SW11 4NB. Fax 0171 498 0990

Please specify if you are not able to provide details of other offers.

16

# Essential Autumn Luxuries



## FT BROCHURE GUIDE



### Cigar Connoisseur

Havanas, Hondurias, Dominican and other top cigar brands from around the world available by mail order.

Order your free 24 page colour catalogue which includes accessories from:

Cigar Connoisseur (Dept DFT2)

Freepost ANG4570

Bungay NR35 1YZ

Tel 01986 895551 (24 Hours)

Fax 01986 896669



### Introductory Offer superb two-fold cotton shirts usually £36 now from just £26

Plus distinctive cufflinks and silk ties

For your FREE mail order brochure phone 01845 575100 fax 01845 575111 or e-mail [sales@josephturner.co.uk](mailto:sales@josephturner.co.uk)

JOSEPH TURNER

Ref. FT04

## OLIVER J BENJAMIN



The finest Ladies' and Gentlemen's suits both off the peg and made to order.

OJB

"Timeless elegance, style, craftsmanship"

Open 10-10 Monday to Saturday

For a brochure telephone 0171 499 9988

OLIVER J BENJAMIN

61 QUEEN ROAD, LONDON SW1 3RQ

[www.oliverjbenjamin.co.uk](http://www.oliverjbenjamin.co.uk)

5

## GRANGE



All your present buying problems solved.

The new Gifts from the Grange catalogue has hundreds of gift ideas. Delicious food and unusual items for the home and garden. Choose from the comfort of your armchair.

Call 0800-502265 for a free 36 page colour brochure

6

## LOOKING FOR A TREADMILL?



Let the UK's Leading Treadmill Specialist help you make the Right Choice

FREE Video

limited availability

Telephone

0800 018 0421

GYM WORLD

The UK's Largest Fitness Store

14

## THE LADY'S NORFOLK HAT



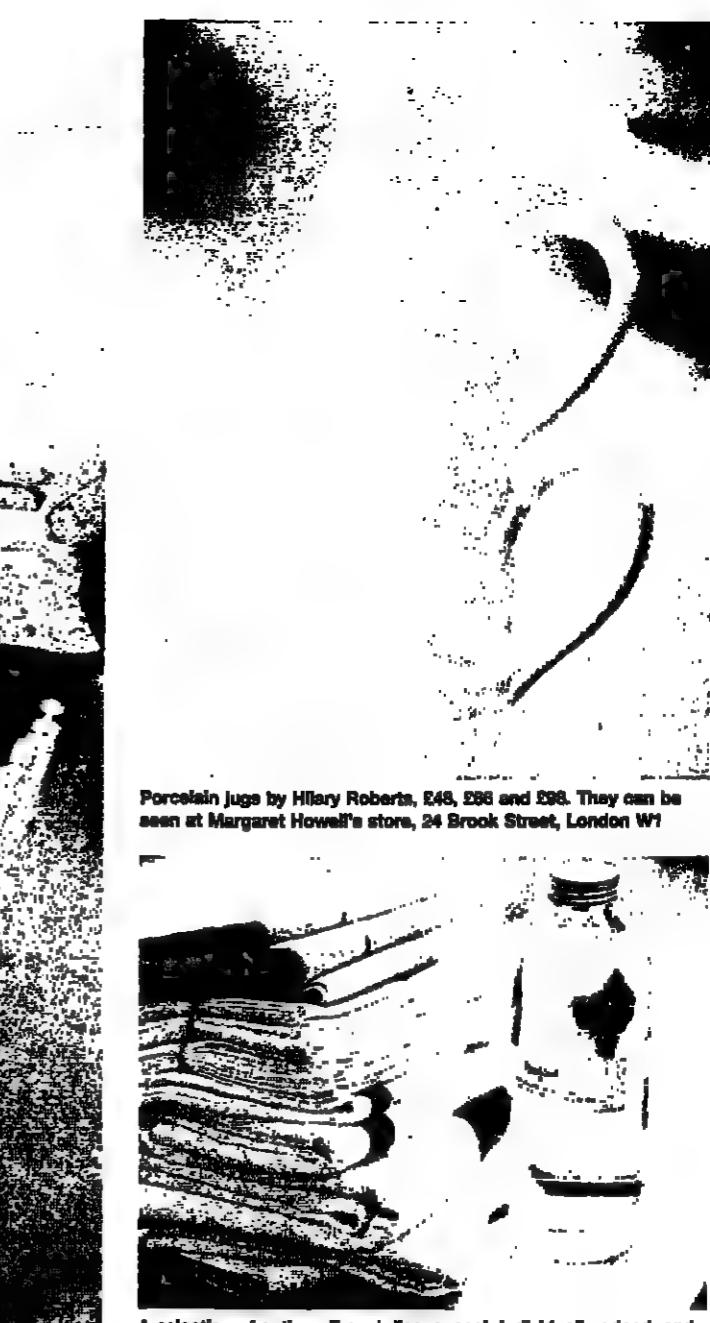


JULY 150

# How to Spend It



From the Caroline Charles Home Collection: creamy throws, antique lace teamed with simple plates, and her own range of cutlery, all for sale at 56-57 Beauchamp Place, London SW3



Porcelain jugs by Hilary Roberts, £48, £58 and £98. They can be seen at Margaret Howell's store, 24 Brook Street, London W1

A selection of antique French linens, each individually priced, and lavender water for ironing, £22, all from Margaret Howell

## An invitation to dress up your home

A revolution in interior design is about to be launched – elegant home furnishings that everyone can afford, writes Lucia van der Post

Fashion designers have been producing diffusion or – to put it more plainly – less expensive ranges for many a long year. Ralph Lauren, Calvin Klein, Yves Saint Laurent, Giorgio Armani, Versace and their like have not paid for their penthouse apartments, their châteaux and their palazzos with a few exquisitely wrought creations for some of the world's richest women.

Lovely though it is to dress the wives of heads of state or vanished kingdoms, or to sell to Gwyneth (Palmer) or Naomi (Kempner), these rarefied creatures between them could never buy enough frocks to keep their designers' in the style to which they have grown accustomed. It's the diffusion lines that sell something of the style and glamour to an infinitely larger number of customers that bring in the serious money.

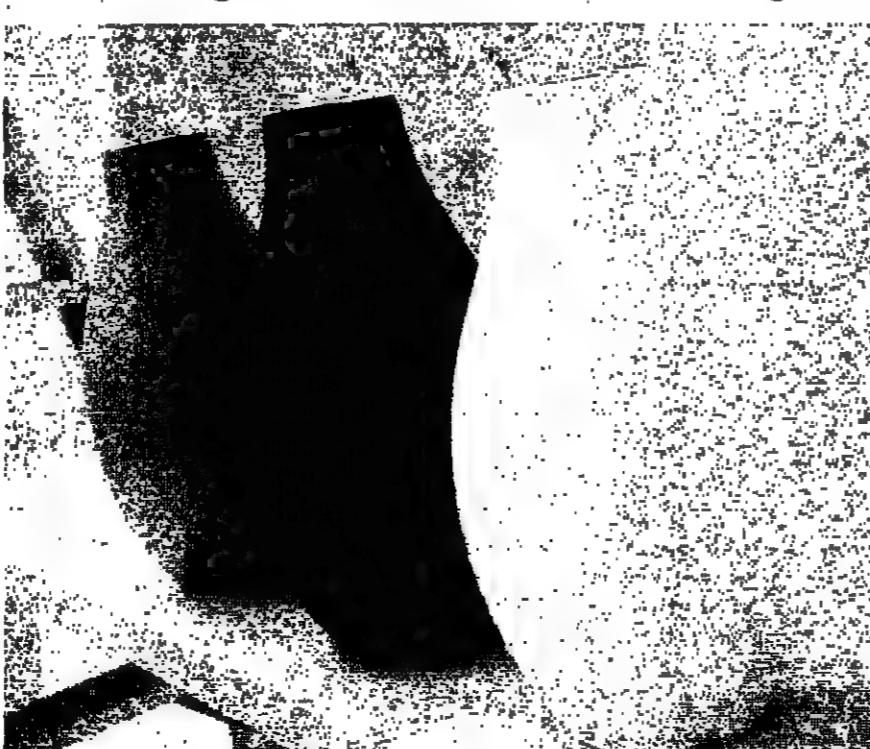
Given their profitability, it is odd that it has taken so long for the notion of diffusion or secondary lines to

What I've tried to do is produce the sort of things that I'd like to use myself

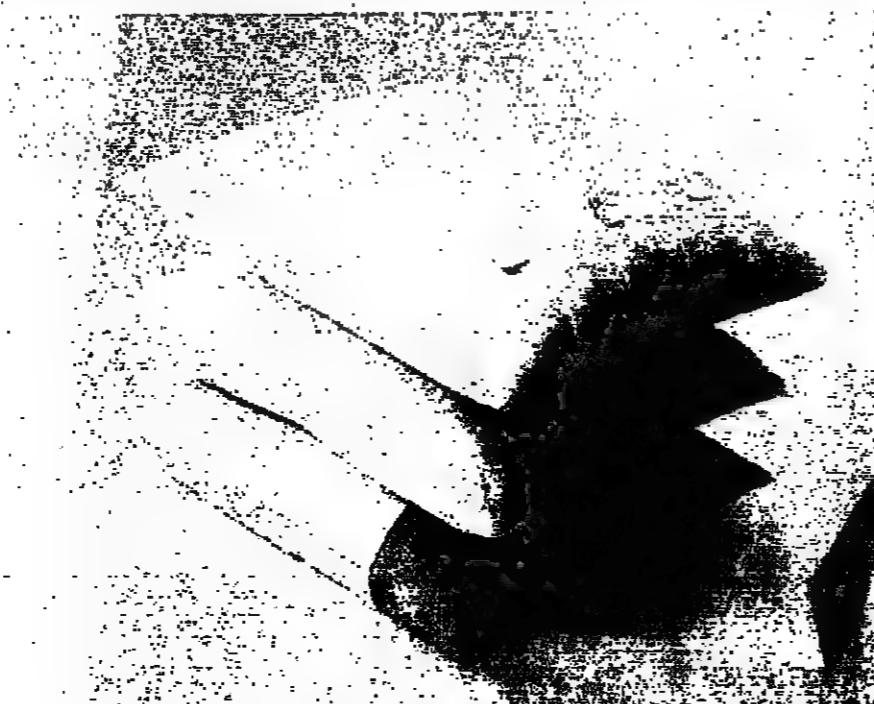
emerge in the field of interior design. Think of a David Hicks, a Nicky Haslam or a Colefax & Fowler – the big, grand name is all and the very idea of diluting the brand is unthinkable.

This week, however, sees the launch in the UK of some adventurous initiatives in this direction, most notably when Debenhams, which has been making something of a speciality of forging partnerships with bright young designers, puts on sale a range of keenly priced homewares from some very sassy names. With the vast buying power that Debenhams is able to command, the value these ranges deliver is astonishing.

Kelly Hoppen, one of the hottest interior designers around, responsible for doing up grand houses from the Bahamas to the Maldives and beyond, has turned her talents to bringing her own look to the masses. Going into 21 Debenhams branches this month is a range of homewares that reflect Hoppen's way of combining the simple and the exotic, and her particular brand of restrained east meets west. Here you can find the



Vases from Kelly Hoppen for Debenhams, £25 each. The Hoppen range, including bedlinen, storage boxes, glasses, candles and picture frames, can be found at 25 Debenhams branches from this month



Linen buttoned-down cushions are part of the Kelly Hoppen range for Debenhams, £30 each

ingredients that go to make up the look – bedlinen and napery in black, taupe, cream or rust, linen runners for the table in beige, putty, cream or rust, lacquered trays and storage boxes rather like Chinese trunks, great big dishes, simple but splendid glasses, square chunky candles and storage jars, picture frames and cushions.

The range is large, exceedingly elegant and very well priced, with almost nothing costing more than £30. The range does well – and I pre-

dict it will do extremely well – then there are plans for expansion, with furniture possibly on the agenda.

Jasper Conran, who has been designing J Line, a reasonably priced, clean-lined collection of clothing for Debenhams for the last two years (a J Line trouser suit sells for between £250 and £200, while a mainline collection trouser suit sells for between £750 and £900), has now directed his talents to developing a J Home collection, which will offer just as

crisp navy and white striped sheets, fluffy towels in blue and white, faux-fur cushions, throws in fine wool chenille and cotton cable as well as storage boxes in leather and mock lizard.

Jasper himself makes no grand claims for the collection: "I'm not reinventing the wheel, but you'd be amazed at how difficult it often is to find the simplest things at these sorts of prices. What I've tried to do is to produce the sort of things that I'd like to use myself. What excites me

most is to be able to make a product that looks as if it costs five times the price and that's what I think we've done." Three-quarters of the J Line range is priced at under £50 and nothing costs more than £100.

Both Hoppen and Conran cater for those whose tastes run to the simple, the clean, the modern – not for those whose idea of interior design is chintz and fur-bolows.

If all that restrained simplicity is too sober for your taste, take a look at Cath Kidston's pretty and nostalgic collection of rosebud-strewn bed and bathware, which Debenhams launched earlier this year. Here is the cultish Cath Kidston nostalgic look at exceptionally good prices – they start at £5 for a padded hanger, while a pun cotton, flower-strewn pillowcase is £12.

Though producing a range of diffusion or cheaper homewares is new for Debenhams, the tradition of fashion designers turning their talents from frocks to the home is not. Ralph Lauren started it way back in the early 1980s, and did it so successfully that many others have been tempted to follow in his profitable footsteps. Now almost every fashion store, whether it be

Donna Karan, Calvin Klein, Nicole Farhi or Whistles, has a collection, even if it's just small, of linens and pots, cushions and candles.

The latest fashion designer to spread her wings in this direction is Margaret Howell, a quintessentially English designer, much sought after for her restrained and impeccably plain white shirts, linen trousers and slightly mamish tweed jackets. Her clothes have a timelessness about them, a lasting quality, a lack of ornamentation or excess that makes them

creamy jugs, simple glazed bowls and hand-thrown pottery, old French jam jars and glassware, natural beeswax taper candles, heavy-gauge linen aprons.

Think, too, of an old-fashioned linen cupboard – Irish linen sheets and pillowcases, distilled lavender water for ironing, calico mattress covers, cashmere and merino blankets, as well as a selection of antique French household linens.

For the bathroom, there are natural or white linen laundry bags, buckram linens with shirting ticking and – but, of course – her own range of body lotions and soaps. All these are irresistibly attractive to those who think the old, classic wares are best, and Margaret Howell's flagship store, at 24 Brook Street, London W1, will, from mid-September onwards, be selling both the new collection (primarily based on old, traditional designs) and a selection of antique wares.

Finally, it seems too little known that Caroline Charles, whose brand of well-bred clothing is perfectly judged to see her customers through all the occasions that make up the British social season, has launched a home collection of her own.

It can be seen on the first floor of the Caroline Charles shop at 56-57 Beauchamp Place, London SW3, where bedlinen and blankets, the clocks and lamps, glassware and china can be seen (and bought), beautifully mixed with antique mirrors, old furniture and artefacts.

seem beyond fashion. And so it is with the small range of homewares that she is launching in her own and other shops this week.

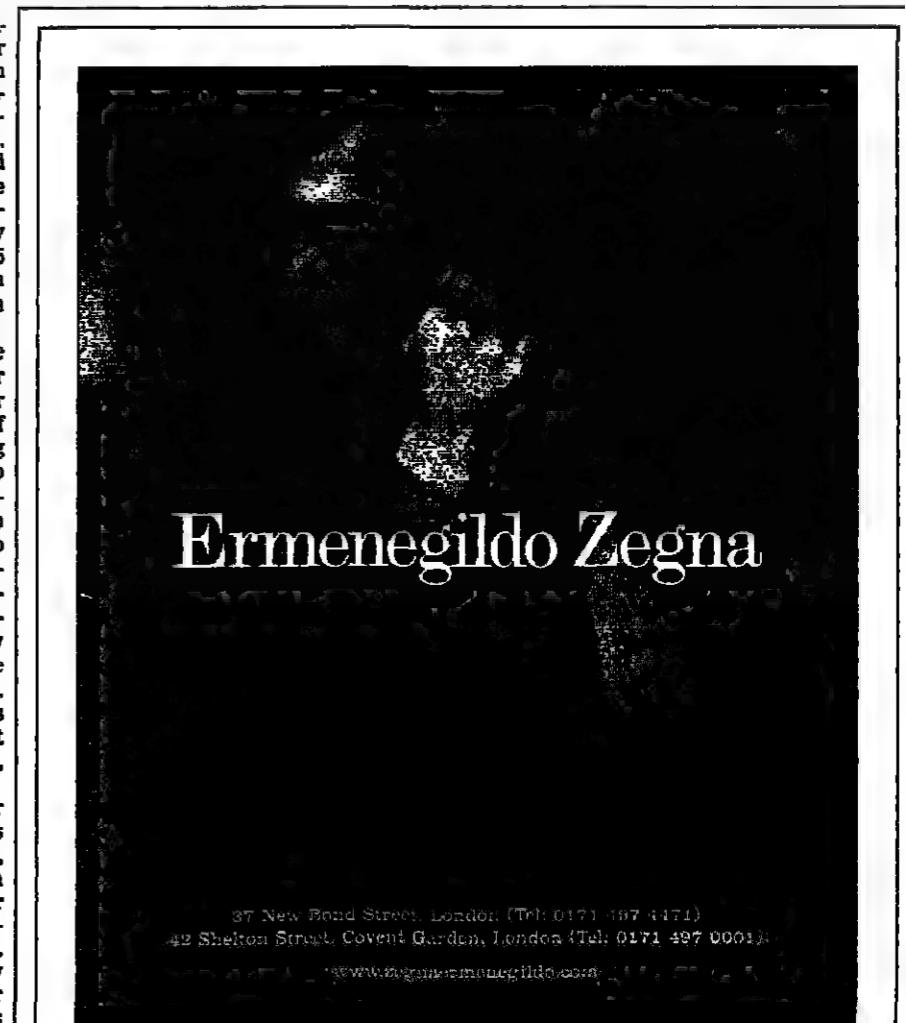
Think of a clean and fresh kitchen filled with the aroma of wholesome organic food and then imagine the sort of props you would fill it with – these are the household objects Margaret Howell has recreated.

If all that restrained simplicity is too sober for your taste, take a look at Cath Kidston's pretty and nostalgic collection of rosebud-strewn bed and bathware, which Debenhams launched earlier this year. Here is the cultish Cath Kidston nostalgic look at exceptionally good prices – they start at £5 for a padded hanger, while a pun cotton, flower-strewn pillowcase is £12.

Though producing a range of diffusion or cheaper homewares is new for Debenhams, the tradition of fashion designers turning their talents from frocks to the home is not. Ralph Lauren started it way back in the early 1980s, and did it so successfully that many others have been tempted to follow in his profitable footsteps. Now almost every fashion store, whether it be

Donna Karan, Calvin Klein, Nicole Farhi or Whistles, has a collection, even if it's just small, of linens and pots, cushions and candles.

The latest fashion designer to spread her wings in this direction is Margaret Howell, a quintessentially English designer, much sought after for her restrained and impeccably plain white shirts, linen trousers and slightly mamish tweed jackets. Her clothes have a timelessness about them, a lasting quality, a lack of ornamentation or excess that makes them



Ermenegildo Zegna

37 New Bond Street, London (Tel: 0171 407 4474)  
42 Shelton Street, Covent Garden, London (Tel: 0171 407 0001)  
www.zegna-ermenegildo.com

## COLLECTING

# Cramped and expensive, but boring – never

The Paris Biennale is where the richest clients can find the finest works of art, says Nicholas Powell

**I**t is one of the oldest arts and antiques shows in the world – the mother of them all, its organisers like to think. Longer running, more lavishly presented and costlier than its streamlined younger rivals, the Biennale internationale des antiquaires in Paris is still the place where the largest number of the richest clients coincide with the most expensive and sometimes the most beautiful works of art in the world.

The XIXth Biennale will be held in the Carrousel du Louvre, the basement showrooms adjoining the Louvre, from September 18 to October 4; its former and far grander venue, the Grand Palais, has been closed since 1993 for repair works that have yet to begin.

About 100,000 visitors are expected to cramp into the Carrousel, which has no daylight, not much ceiling height and only enough room for 120 dealers – far fewer than would like to attend – representing virtually every major collecting field. This year's Biennale will also be international merely up to a point: 80 of the stands are French and most of those are Parisian.

Only two American dealers, Ariadne Galleries and Piero Corsini, are making the trip, while a dozen leading Paris dealers, many put off by the cost of a stand

will, as usual, be the hallmark of the Biennale. The predominant fashion within that field is for gilt wood pieces, and east coast Americans with fresh fortunes, making a serious comeback in Paris galleries over the past four or five years, are expected to be the most serious buyers. Dealers complain that there is only a handful of big-time French collectors, while members of the liberal professions who used to buy are now too heavily taxed to collect.

Among the 18th century furniture specialists, Jacques Perrin will be showing Louis XVI chairs by master ébénistes G. Jacob and J. Avisse, while Camille Burgy will sport an exceptional two-drawer Louis XV/Louis XVI commode decorated with lacquered Chinoiserie panels by the ébéniste François Hubertuck. Paris dealers Aaron, Orsi and Mikaeloff will also feature lacquered commodes on their stands, while Ariane Dandolo will give pride of place to exuberant painted and gilt 18th century Italian furniture.

To place or hang above such lavish furnishings, the Biennale will evidently have art objects and paintings in abundance. Carole Thibaut-Pomerantz will even have antique wallpaper on offer, dating from the early 18th century (including some 1820 rolls depicting Parisian monuments) to 1930s Art Deco.

Collectors with really big walls, meanwhile, may turn to tapestry dealers such as Galerie Blondel-Deroyan (also dealers in archaeology), who will be showing an important Brussels tapestry from the series "The Story of King David", 1530-1540, or Galerie Chevalier for, among other rare and beautiful things, a riotous early 18th century English work entitled "The Inn of the White Swan". Olivier Watelet, meanwhile, will propose a

Portrait of a Young Man by Perugino, circa 1475, which is being shown by Giovanni and Claire Sarti

Louis XIV-style tapestry of 1946 by Maurice Brianchon.

Always strong in Art Deco thanks to dealers such as Vallois, who is bringing an entire collection of Rubellmann furniture, the Biennale has responded to the recent surge in interest for the 1940s and 1950s by including major designs from those decades. Watelet, for example, will have an extravagant 1936 dining room table resting on four claw feet and entirely cov-

ered with mirror marquetry, by designer Serge Roche.

Always strong in Art Deco

thanks to dealers such as Vallois, who is bringing an entire collection of Rubellmann furniture, the Biennale has responded to the recent surge in interest for the 1940s and 1950s by including major designs from those decades. Watelet, for example, will have an extravagant 1936 dining room table resting on four claw feet and entirely cov-

ered with mirror marquetry, by designer Serge Roche, while dealer Yves Gastou will have a wide range of furniture by 1930s designer Marc du Plantier.

The Galerie Jousse Seguin will show work by pre- and post-war furniture designers Alexandre Noll, Jean Prouvé, Charlotte Perriand and Jean Royère.

Ancient Chinese art, often outstanding, will be found with dealers such as Gisèle Croës from Brussels and Michael Goedhuis of London, who this year is also showing Japanese and modern Chinese paintings.

Prime quality Italian gold ground and Renaissance paintings, meanwhile, will be found with Brino de Laroosse and Giovanni and Jean Royère.

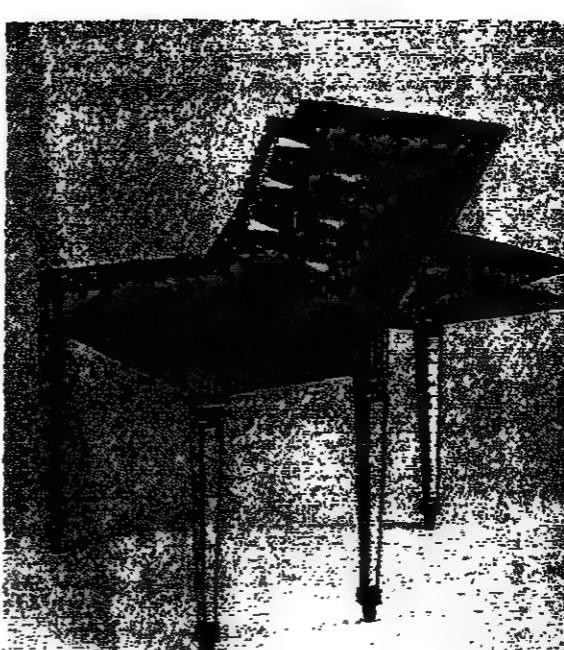
Ceramics will also be a strong sector, thanks to dealers such as Lefèbvre (rare

Paris and Sévres porcelains,

and with Branci & Lorencean, Cazeau-Beraudiére, Galerie Schnit and Galerie Hopkins Thomas. The latter is hanging a Bathus nude that it claims is one of the finest ever seen on the market.

Cramped and ultra-expensive the Biennale may be. Boring it will not be.

"Most people interested in art and antiques go to the Biennale. It still has a unique flavour, a certain French panache and is such a worthwhile investment," says Michael Goedhuis.



## COLLECTING

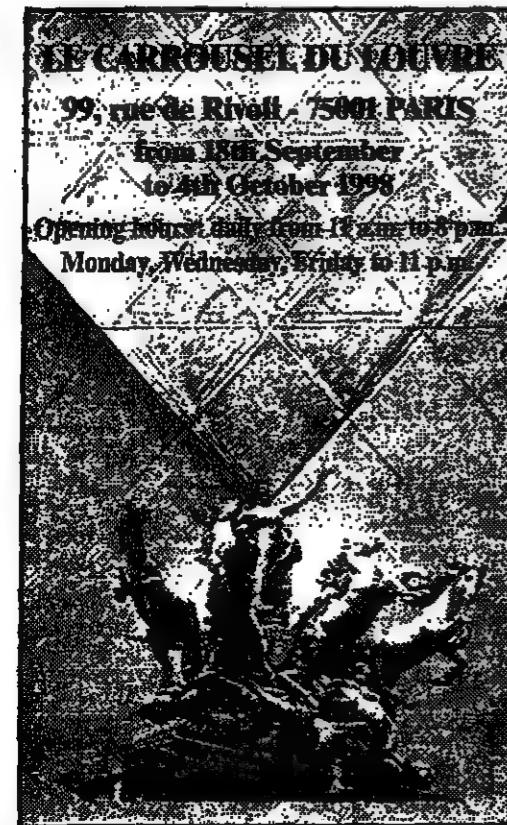
## XIX<sup>e</sup> BIENNALE INTERNATIONALE DES ANTIQUAIRES

LE CARROUSEL DU LOUVRE - PARIS  
from 18th September to 4th October 1998  
Tel. (33) 1 47 20 31 87 - Fax (33) 1 47 23 51 83



## XIX<sup>e</sup> BIENNALE INTERNATIONALE DES ANTIQUAIRES

avec les Galeries d'Art,  
le Livre Rare et la Joaillerie



### Gala Opening

Thursday 17th September 1998

### Syndicat National des Antiquaires

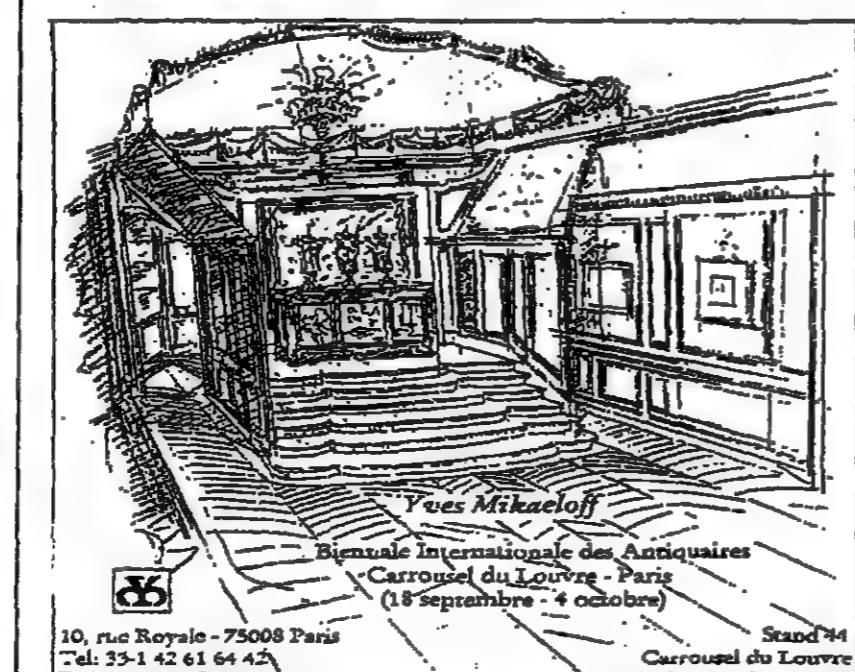
1 bis, rue Clément Marot  
75008 Paris

Tel : 33 (1) 47 20 31 87  
Fax : 33 (1) 47 23 51 83

Internet : <http://www.franceantique.fr/sna>  
E-mail : [sna@pratique.fr](mailto:sna@pratique.fr)

## XIX<sup>e</sup> BIENNALE INTERNATIONALE DES ANTIQUAIRES

LE CARROUSEL DU LOUVRE - PARIS  
from 18th September to 4th October 1998  
Tel. (33) 1 47 20 31 87 - Fax (33) 1 47 23 51 83



## XIX<sup>e</sup> BIENNALE INTERNATIONALE DES ANTIQUAIRES

LE CARROUSEL DU LOUVRE - PARIS  
from 18th September to 4th October 1998  
Tel. (33) 1 47 20 31 87 - Fax (33) 1 47 23 51 83

### GALLERY PH. CAZEAU - J. DE LA BERAUDIERE

16 Avenue Matignon, 75008 Paris - Tel: 01 45 63 09 00

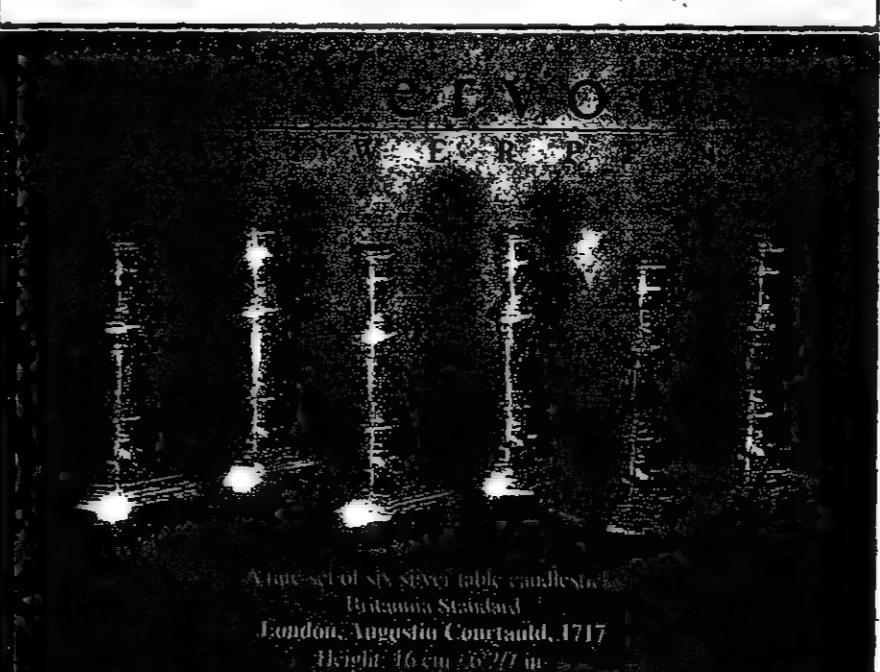
Biennale des Antiquaires - STAND n° 69



RAOUL DUFY (1877 - 1953)  
"14 Juillet au Havre" - 1906  
Oil on canvas  
Signed lower right "Raoul Dufy".  
25 1/2 x 21 1/4 in.

## XIX<sup>e</sup> BIENNALE INTERNATIONALE DES ANTIQUAIRES

LE CARROUSEL DU LOUVRE - PARIS  
from 18th September to 4th October 1998  
Tel. (33) 1 47 20 31 87 - Fax (33) 1 47 23 51 83



## XIX<sup>e</sup> BIENNALE INTERNATIONALE DES ANTIQUAIRES

LE CARROUSEL DU LOUVRE - PARIS  
from 18th September to 4th October 1998  
Tel. (33) 1 47 20 31 87 - Fax (33) 1 47 23 51 83

### STAND 34

## GALERIE CHEVALIER

Pierre et Dominique Chevalier, Experts

### ANTIQUE TAPESTRIES ORIENTAL and EUROPEAN RUGS

17, Quai Voltaire 75007 Paris  
Tel: 33 (0) 1 42 60 72 68 - Fax: 33 (0) 1 42 86 99 06

## COLLECTING

# Photography is now a serious subject

Luris Morgan-Griffiths explains the attractions of the genre

**T**WO events in recent history have concentrated the mind on the value of photography as art. In 1984, the Getty Museum in Los Angeles announced it had acquired three important collections: those of Sam Wagstaff, Arnold Crane and Bischler Berger.

Then, in 1989, exhibitions were held around the world to celebrate the 150th anniversary of photography which showed the individual wealth and breadth of its history.

According to Philippe Garneau of Sotheby's, the subtext of the Getty announcement was the realisation that "if Getty Museum took photography seriously as art then it was serious". It also sent that the photographs those collections had been taken out of the public domain. They would never come on to the market, so were lost forever to collectors and other institutions.

Overnight, photography was bathed in a different light. Britain has lagged behind the US in embracing photography as art. However, this year the opening of the Victoria & Albert Museum Photography Gallery, and the first lecture on collecting to be held by Christie's have given photography credibility. Both Sotheby's and Christie's hold regular photography auctions. Private galleries are burgeoning.

Britain's reticence is also its gain. Zelma Cheate of the Zelma Cheate Gallery maintains: "Photography has been taken much more seriously here since prices

increased. Prices in London are certainly lower than in New York. There is the possibility here to put together a really good portfolio from the younger generation of photographers whose prices are accessible and affordable.

That is not possible in the US because galleries are usually showing superstars and the tried and tested."

As in the rest of the art market, there are no rules to collecting. Collectors vary. Some concentrate on a theme, others on photography or on an eclectic personal mix. A collector in New York collects only hands, another sunflowers, someone else collects photos of people with eyes closed or averted.

As Garneau says: "The best collections have been bought from the heart. Good collectors go out on a limb ahead of the market place. Later the pack catches up and they are then congratulated on their integrity and foresight." Some years ago, an American started collecting unknowns, the unknowns became known and now he has a valuable collection.

Pierre Brown has built up an intriguing collection of more than 500 photographs that spans the history of photography from the 19th century, early 20th to the present day. He goes for images that he can empathise with, but ranges through the early beginnings of photography, through surrealism to the gritty photographers of today. He particularly likes photographers who reflect a particular time - Lartigue for the 1920s, Chris Killip and Graham

Hackelbury - opening in the autumn. From being "out of control", Hackelbury has built an impressive collection that embraces landscapes, nudes, portraits and fashion. Bury describes its underlying theme of "great pieces by great photographers".

On collecting, Hackelbury advises: "First, you have to admire the photograph. You just have to have it. Then you look up the photographer's track record. If I loved one image by a photographer but I didn't like the rest of his work or I found it substandard, I wouldn't buy that piece. It must come from a strong body of work."

Michael Wilson, the James Bond producer, has an internationally acclaimed collection of primarily 19th century photographs. His advice to fresh-faced collectors is: "if you buy for investment, you'll probably go wrong. If you buy what you like, you'll probably go wrong. If you buy something that disturbs you or intrigues you in some way, then you are probably somewhere on the right track. That way at least you won't get bored with it."

Pierre Brown bought his first photograph, a picture of Sir Michael Redgrave by Armstrong Jones (Lord Snowdon) at a charity auction 15 years ago. That was his initiation and since then "it has got worse and worse".

Early on, he bought at auction because there were not many galleries in London, but now he buys mainly from dealers. "When I started I didn't know enough about the quality, and it wasn't always there, the prints were faded. I've learned through experience, I've moved on and I've traded some work as my eye has got better."

There are vintage prints, non-vintage, modern prints, limited editions, named photographers, photographers who print their own work and those who don't. There are many types of process. The only way to distinguish between them is to look, look and look again. And ask questions. In London there is no excuse not to see out, handle, smell, see good work, even compare



Strada and Val #3, Paris 1925, Vogue, by William Klein, is estimated at £1,200-£1,800

different prints of work from people as diverse as Paul Strand and Cindy Sherman.

Vintage prints are printed in the year the picture was taken and can be very different in tone, size and paper to the later modern prints. Whether to look for limited edition or non-limited edition is answered by the photographers themselves - some keep their work unlimited. A photographer might announce an edition of 20 - but the full edition might never be realised. Norman Parkinson might have announced an edition of 20 - yet only printed five before he died. Eve Arnold has

printed as few as three or five of some of her unlimited edition images.

Cheate does not necessarily favour the limited edition.

"Sometimes a photographer will run off the whole edition; consequently they will all look rather similar. If a photographer prints one specifically for you, each of these prints will have a different emotional feel, a print can be totally different in size and 20 years later.

Some of Fay Godwin's early prints were small and dark;

then later she produced big silvery prints."

"Some people prefer modern prints," says Alison Jeff

genre in which you can still buy the very best at an affordable price.

There are still good buys in any market. Haskel thinks that there are investment possibilities in Irving Penn - if it is not one of the favourite images, "you can still buy a Penn for about \$3,000, Frank Horvat for about \$1,200 and Cartier Bresson for about \$3,000 - but that will be an open edition and printed for him."

Cheate thinks the same of Eve Arnold and Bill Brandt - "a vintage print can cost between £4,000 and £8,000, recently at auction one went for \$26,000; a signed non-vintage Bill Brandt is £1,500-£2,000". But Bury thinks you can still have fun at the lower end of the market. He has a collection of tintypes valued at about £50, some of which he picked up from markets and boot sales for as little as 20p. Recently in the US, a tintype of a Canadian Indian was sold for as much as \$30,000.

Garner warns that contemporary photographs have not yet reached a reliable secondary market. However, Brown, who reckons the value of the better quality images in his collection would have increased three-fold, remembers "about 15 years ago, you could have bought a Horst - the classic image of the woman in the corset - for about £500. That is more likely to fetch \$10,000-£15,000 today, which would not be a bad return on the stock market."

**Galleries:** Hackelbury Fine Art, 4 Leadenhall Place, London EC3; tel 0171-837 8688. Zelma Cheate, 99 Mount Street, W1; tel 0171-403 4442. Hamiltons, 13 Carlos Place, W1; tel 0171-999 9493. The Photographers' Gallery, 5 Great Newport Street, WC2; tel 0171-379 1772. The Special Photographers' Company, 21 Kensington Park Road, London W11; tel 0171-231 3488. Christie's, South Kensington, auctions 20th century photography on October 8 & Sotheby's London photography sale is in May.

## COLLECTING

## XIXe BIENNALE INTERNATIONALE DES ANTIQUAIRES

LE CARROUSEL DU LOUVRE - PARIS  
from 18th September to 4th October 1998  
TEL (33) 1 47 28 51 87 - Fax (33) 1 47 23 51 83

### CINQ GRANDS ANTIQUAIRES A PARIS...

Aveline-Jean-Marie Rossi  
20, rue du Cirque - 75008 Paris

Didier Aaron & Cie  
118, 16 Saint Honore - 75008 Paris  
42 Faubourg Saint-Honoré - New York NY 10021  
21 Ryder Street London SW1Y 5PX

Maurice Segura  
14, place Franklin Delano Roosevelt - 75008 Paris

Michel Meyer  
24, av. Montaigne - 75008 Paris

Jacques Perrin  
5, quai Voltaire - 75007 Paris  
68, 16 Saint-Honoré - 75008 Paris

## XIXe BIENNALE INTERNATIONALE DES ANTIQUAIRES

LE CARROUSEL DU LOUVRE - PARIS  
from 18th September to 4th October 1998  
TEL (33) 1 47 28 51 87 - Fax (33) 1 47 23 51 83

### RICHARD GREEN

AT THREE LONDON GALLERIES



Claude-Joseph Vernet (1714-1789). "Fishermen working at anchor in a Mediterranean port" signed and dated 1794. Oil on canvas 20 x 25.5 x 8.5 cm

Old Master & Impressionist Paintings

Exhibiting at XIXe Biennale Internationale des Antiquaires, Carrousel du Louvre, Paris, 18 September - 4 October, Stand 87

167 New Bond Street, London W1Y 9PE. Tel 0171-473 3094, Fax 0171-623 2097

E-mail: [richard-green.com](http://www.richard-green.com). Internet: <http://www.richard-green.com>

## Forthcoming Art Collecting Features

Oct 3rd - New York

Oct 10th - The Cotswolds

Nov 7th - Furniture

Dec 5th - Antiques as presents

To advertise please contact

Alice Croxford

Tel: +44 171 873 4418

Fax: +44 171 873 3765

FINANCIAL TIMES

No FT, no comment

## Chelsea Antiques Fair

Chelsea Old Town Hall, King's Road, SW3

September 10 - 20

go looking UK dealers offer an extensive selection of  
scrupulously high quality antiques

100 dealers, 100+ exhibitors, 100+ dealers, 100+ exhibitors

Penman Fairs: 01444 482514

## THE 20th CENTURY BRITISH ART FAIR

Royal College of Art

Kensington Gore, London SW7

23 - 27 September 1998

11am - 8pm last 2 days

Information & lecture programme: 0181 742 1611

Website: [www.rcha.co.uk](http://www.rcha.co.uk)

SHANI RHY'S JAMES

10 - 30 September 1998

CATALOGUE AVAILABLE

MARTIN TINNEY GALLERY

6 Windsor Place, Cardiff CF1 3BX

Tel: 01222 641411 Fax: 01222 641422 Website: [www.mtg.co.uk](http://www.mtg.co.uk)

## Cookery courses

# Learning some food secrets from the CIA

Anissa Helou goes to California to find out how the skills of food industry professionals are honed

**I**t was not my idea. I was having lunch with a friend when he sprang the question on me: "Why don't you take a cookery course for professional chefs?" Having just written my second cookery book and figuring I knew my way around the kitchen as well as anyone, this was somewhat of a surprise.

Even so, the idea intrigued. After all, I was only a home cook and had always envied restaurant chefs their speed and efficiency.

The suggestion took flight when, a few days later, I read about a new California branch of the Culinary Institute of America, better known as "the other CIA". The institute is the premier cooking school of the US, with its main base in upstate New York.

Within two weeks, I had its catalogue, and was signed up for three weeks of study, at a total cost of \$3,500 (£2,120). This included housing and one meal a day, but not airfare and local transport. A large sum perhaps, but reasonable for a top cooking school. The CIA is a non-profit educational organisation, hence the moderate fees.

The California branch is in St Helena, a small town in the Napa Valley. It offers a wide choice of programmes for chefs or other professionals in the food industry who want to improve their skills or widen their repertoire. Courses last from one day to 30 weeks and the approach is not only comprehensive but global. You can learn about baking and pastry, or sauces, or mastering wine, as well as an array of regional cuisines including new cooking from the old west, Mexican, eastern Mediterranean, and North African.

The school is housed in a massive 19th century building which used to be a winery and is surrounded by 30 acres of lush country where the CIA grows its own organic herbs, vegetables and grapes. The open-plan teaching kitchens have all the latest equipment. There is a dining-come-meeting area where students and teachers gather before lessons, take their breaks, or eat and discuss what they have cooked.

You can stay in nearby bed and breakfast or, as I did, in the CIA's guest house. Its spacious rooms are decorated in Shaker style and equipped with all mod cons (phone, TV, video, and an ironing board to keep your chef's whites immaculate). Class time is from 7am until 1.30pm or from 2pm until 7.30pm. Either way,

**'We tasted olive oils, including excellent Californian ones, and learnt how to infuse them with herbs or spices'**

recipes we were to cook. We then went to the kitchens, divided into teams of two or three, and cooked three or four dishes every day.

During that first week we learned about different salad ingredients and dressings and how to balance them. For example, the crispness of certain salad greens, such as chicory and batavia, are best accompanied by other crisp vegetables – perhaps fennel or celery. A good tip: to avoid bruising the leaves never use the salad spinner at high revs.

We tasted olive oils, including excellent Californian ones, and learnt how to cold- or heat-infuse them with herbs or spices. These can be used to add flavour to poached meats and fish. Ideally, you should keep several extra virgin oils around the kitchen, saving the best for drizzling into soups or salad dressings without vinegar or lemon juice.

There is something thrilling about being around professional chefs. I learnt so many useful tips and shortcuts, such as no wine with artichokes, and debunking others, such as avoiding red wine with fish. We carried out tomato sauce exercises to find the best flavourings for that sauce. Result: I shall only

use oven-roasted garlic in tomato sauce from now on; it is far more subtle than raw garlic.

After we finished cooking, we cleaned our stations, plated our food as prettily as we could and then tasted and criticised every dish before settling down to dinner. The meals were gargantuan: we tasted not only the dishes we had prepared, but also those made by the teachers' assistants. The quality was uneven, depending on the skills of the students, but the breads and cakes were uniformly delicious.

My second week was spent under the aegis of chef Ken Woytisek who has worked with Judy Rogers at Zuni's, one of San Francisco's hottest restaurants.

He taught us about grains, vegetables and global cooking. The accent was on vegetarian dishes. We experimented with all kinds of grains, some of which I had not seen before, such as kamut, the earliest type of wheat grown by man.

We made pasta, baked perfect pitta bread (the secret is to bake it on a blisteringly hot metal sheet), and simmered vegetable stocks, made deliberately delicate not to overpower other flavours. I also learned another way to achieve a perfect crust on Persian rice: line the bottom of the pan with very thin slices of potato. The traditional method is to mix a little yoghurt into the first layer.

In my third and last week, the delightful Sagakuchi returned to teach us, joined by Bill Briwa, another CIA graduate who has worked at the French Laundry, an acclaimed restaurant in nearby Yountville. I found myself in bigger and better company: nine chefs from across America including a former banker who told us that he liked to match his ingredients the same way he matched his ties – by colour.

The week was devoted mostly to assessing flavour combinations. We experimented with barbecuing chicken breasts, wrapping each in different leaves – vines, collards, chard, banana – to decide how this affected the taste and texture of the meat.

We dipped the grilled meat in a variety of sauces and sausages that we had made to establish which went best with chicken. Vine leaves proved to be the tastiest wrapping, while an avocado salsa was too rich with meat.

We tasted wine with food, confirming some rules, such as no wine with artichokes, and debunking others, such as avoiding red wine with fish. We carried out tomato sauce exercises to find the best flavourings for that sauce. Result: I shall only



use oven-roasted garlic in tomato sauce from now on; it is far more subtle than raw garlic.

The best thing about the CIA is that you learn so much just by observing other students. For example: the best chefs all hold

cooking knives in the same way – with the bottom of the blade firmly pinched between the thumb and index finger. And, when it comes to stirring a dish, always turn the spoon in a figure of eight.

I owe a debt to my friend. His casual question at lunch launched me on a journey of 12,000 miles and gave me an instructive and highly enjoyable holiday.

I hope we have lunch together again soon – and I think I will even prepare a meal for him.

■ The Culinary Institute of America at Greystone, 2555 Main Street, St Helena, California 94574. Tel: 707-967 2308. Fax: 707-967 2410.

**A wine in love with food, from a winemaker married to a cook.**



**James Herrick**  
Cuvee Simone  
THE PICK OF THE SOUTH OF FRANCE

AVAILABLE COUNTRYWIDE FROM SUPERMARKETS,  
SPECIALIST CHAINS AND MAJOR INDEPENDENT WINE MERCHANTS

## Waiter – there's no wine in my glass

**I**t has been an excellent dinner. Your guests are glowing with bonhomie. You are relishing that last glass or two of Chablis before asking for the bill. Irritatingly, the chilled wine bucket containing those last precious mouthfuls is a few yards from your table. It is too embarrassing, perhaps, to go and get the bottle yourself, or even to tip-toe over to check its contents. But the wine waiter seems to have forgotten it. Forgetten? Or deliberately overlooked?

Half a dozen times in the past year or so I have found myself in this situation – not wishing to appear mean, but aware that £7 or £10 worth of wine remains chilling

in a cask before blending by James and personal endorsement by Simone.

In so long ago Home House in London's West End was on the World Monuments Watch list of 100 most endangered sites. Since then, £12m has been invested in the derelict building in Portman Square and in November it will open as a private club.

The rooms will have been restored to their original state, as conceived by Robert Adam in 1775 for the countess of Home, the Jamaican planter's daughter known to her contemporaries as "the queen of hell".

Adam designed some of his loveliest interiors for the house: the staircase well, with its second floor gallery surmounted by a glass dome; the Etruscan room in black and terracotta; the music room (the organ case is being rebuilt as a bar); or the ground floor suites des-

igned out while I am getting increasingly heated.

I tend to stick to white wine, almost invariably, since red gives me a headache. While my dining companion usually moves on to red, I generally drink white throughout the meal. Thus I am only too aware of whether there is more to come in my distant wine nose.

In places as disparate as London, the Seychelles and Pforzheim in Germany – I have become aware that unless I ask for the rest of my wine, it does not get offered. There may be three good reasons for this – the first one possibly leading to the other two.

The most charitable is

that as the restaurant becomes busier, hard-pressed staff can no longer be expected to keep checking your glass – in which case why put the ice-bucket out of arm's reach? So, if you neglect to ask, the wine remains in the bucket when you leave the restaurant.

This may have encouraged restaurant staff to create the situation deliberately. Which leads to reasons two and three.

If you think your wine bottle is empty – and are too embarrassed to get up, cross the room and check – you might be tempted to buy another. The third possibility, although seemingly cheapskate, is that at the end of the evening, when a

number of diners – either consciously or unconsciously – have left without finishing their (often expensive) bottle of wine, the staff get to help themselves to what is left.

The hotel business is notorious for such scams. One former hotel manager told me I was not imagining the syndrome. "It happens all the time," she says. "When I was in the hotel business, running restaurants, we always sat down when the restaurant was empty and helped ourselves to quantities of wine from bottles that had not been finished.

"Hotels and restaurants rely on guests being too embarrassed to check on

whether there is still wine in their bottles. That's usually why they put their ice buckets out of reach. That way people are much more likely to be too timid to ask if there's any left, let alone go and check for themselves.

They don't want to look cheapskates in front of their guests."

The other night in a smart London restaurant no effort was made to pour the last third of a bottle of my Pouilly Fuisse.

When I persuaded the wine waiter to do so, I noticed that even then there was still a glass left in the bottle. But some time later, when I asked for my final glass, which I had determined to have instead of

pudding, I was told: "The bottle is empty, sir."

To take the matter further – with four guests who included a retired colonel and his wife – would have been in embarrassment. However, I did insist that there had still been some wine in the bottle. They very reluctantly opened another bottle and, begrudgingly, poured me half a glass. I am not sure who was the more red-faced – me, my guests, or the restaurant. Either way, I am convinced that the scam exists. Petty it may be, but since wine's such an expensive part of any meal, I'd like to be allowed to finish it.

Arnie Wilson

## Home to the 'queen of hell'

tailed to become the club's dining rooms.

Many people will remember Home House in its last incarnation. For more than 50 years, it was the home of the Courtauld Institute of Art. For more than half that time it was administered by Anthony Blunt, the "fourth man" and one-time Cambridge recruiting officer who formed Philby, Maclean and Burgess, into Britain's most infamous pro-Soviet spy ring. It is a nice touch that Blunt's upstairs flat is being turned into a luxury suite. During the restoration, the MI5 bug on his telephone was unearthed.

According to the club's manager, Brian Clivaz, who will be familiar from his days at Simpsons in the

Strand, Home House had been "pretty institutionalised" during the years which it spent as an art history school. The installations of the hedonistic Lady Islington, such as her marble bathroom, had naturally seemed out of place in a seat of learning. In places, walls had been taken down, and many finer features – including wall paintings by Angelika Kauffmann and Antonio Zucchi – had been damaged. Everything has been put back, scrupulously. After the Courtauld moved out to its new premises in Somers Town, the building lay empty, causing concern among Adam lovers.

Berkeley Adam, the company which specialises in upmarket hotels, is the new

owner. It has also acquired the properties left and right of Home House. The architect of all three was Robert Adam's great rival, James Wyatt; but at Home House he was sacked before he came round to designing the interiors, and Adam appointed in his place. Number 21 Portman Square houses the Helzls Gallery and the library of the Royal Institute of British Architects. It, too, has a grand staircase and some splendid first floor rooms.

Number 19 is altogether plainer, greatly altered at the end of the last century. Nonetheless, there is a magnificent ballroom, which could come in useful. Who knows? The expanded Home House might recover its original vocation and become the centre of London society. Having all three buildings allows the club to provide rooms. There are six suites and 12 double bedrooms for out-of-town members. More will come on stream once Number 21 is assimilated. The garden and the old stable will also be cleared of bric-a-brac to provide a pleasant space for outdoor lunching and dining.

There is a semi-circular Adam porch on to the garden, and the area is framed by former stable walls. Besides a bar, equipped with screens to bring you the latest results from the City or the world's sports stadiums, there will be an 80-seater restaurant. It aims to be a modern club open to all. The

basement will provide a plunge pool, eight saunas and fitness equipment. It could be the boudoir in me, but that would seem to be the only part other new club appropriate to be queen of hell's legacy.

■ Home House, 20 Portman Square, London, W1 (tel: 0171-671 5400), will charge £1,500 a year for membership; half-price for under 30s.

Giles MacLough

**CLARIS**  
VINTAGE WINE  
WANTED

For individual buyers  
or T.V.M.D.I.T.  
Patrick Whiting  
or Paul Bowes

WILKINSON VINTNERS LTD  
Fine Wine Merchant  
Tel 0171 222 1985  
Fax 0171 285 2652

she man

Ripe reds  
that are  
really  
on a roll

Ford's n

## FOOD/MOTORING

# The man who gave us Bailey's Cream

Nicholas Faith meets Tom Jago, entrepreneur and purveyor of alcoholic novelties

**T**om Jago is happy, but not surprised, that Oaken Glow, Imperial Blue and Royal Stag are all going great guns in Indian supermarkets. These "amix" whiskies - made out of Scottish malts and Indian grain whiskies - are Jago's latest brainchild.

They know that Jago has not lost the touch that over the past 30 years has brought you dozens of alcoholic novelties, from Bailey's Irish Cream to Johnny Walker Blue Label, marketed by four successive employers: IDV, Moet-Jennessy, United Distillers and now Seagram, purveyors of ales and whiskies. There are also other Jago innovations, such as Chivas Regal 1801, sold in a revolving ship's decanter.

Jago is the product of old-time education: a Cornish grammar school; scholarship to Christchurch, Oxford, "rotten third, interrupted by time in the RNVR [Royal Naval Volunteer Reserve] Tubs, among other bewildered

pedants, Frank Pakenham, Hugh Trevor-Roper". Jago "meant to be a photographer but ended up in an advertising agency" where he narrowly escaped the sack after being photographed with his family on an Aldermaston march. For those too young to remember, the marches were all about banning the nuclear bomb.

One thing and another led him to Gilbey's, the gin producer. "I was a lousy advertising director, in 1983, Jasper Grinling, the managing director, not wanting to fire me, put me in charge of 'new products', then a revolutionary idea in the drinks trade."

Since then the revolution has not stopped.

His first innovation was to use the sacred name of Croft, a long-established brand of port, to launch a Pale Cream Sherry under the name of Croft Original. This was only the *hors d'oeuvre* to the big one, Bailey's Irish Cream, the only new spirit intro-

duced in the past 40 years to make the world's Top Twenty.

It all started when Robin Gold, a sharp-eyed member of the Gilbey clan, noticed that the Irish government was offering a 15-year tax exemption for new exports. Jago got to work with his team which included Mac Macpherson, a long-suffering technical director, and two marketing consultants, David Gluckman and Hugh Seymour Davies.

They started experimenting with revolting cream, Cognac-like liqueurs made with native Irish moss. But they soon realised that they were in luck. After several takeovers, Gilbey's had ended up as a subsidiary of Grand Met, a group which also owned Express Dairies.

Gluckman had worked on the launch of Kerrygold Butter and knew that cream and whey were waste products. The Great Idea - of combining Irish cream and Irish whiskey - came to them

"while we were trying out cocktails with the knowledgeable barman at the Dorset Hotel in midtown Manhattan" after he had made them a brandy Alexander.

They soon cobbled together a sample and thought up the name in a bistro below Gluckman's

it to London pubs and then in the Netherlands, Australia and the US, where it began to move quite quickly.

To make their joy complete, they found that they were entitled to a grant of £2 a case from the European Commission in Brussels for getting rid of the cream outside Europe.

Baileys even revolutionised the Irish dairy industry by requiring it to supply cream all year. And Mac found a formula for transforming the whey into alcohol.

Baileys' success inspired a number of universally unsuccessful follow-ups, including John Dowland's Greensleeves and the coffee-flavoured Demi-Tasse. Equally unsuccessful was a pink gin, provisionally named Gay Gordons, aimed at the San Francisco market; a bit ahead of its time".

More successful was Malibu, where Jago's contribution was the name, originally registered as

a fizzy wine made from passionfruit.

Jago then turned his attention to cheap wine in the form of Fiat d'Or. "The first samples shown to consumers were Blue Nun dyed red. They loved it." Using lots of *strasse*, the grape German sweetmead, Jago, a genuine wine aficionado, produced a sweet red wine universally loathed by wine-lovers but which went on to sell millions of cases.

Then there was Night Music, a Mosel devised by too many people. "The final blow was when the first shipment from Germany proved to be full of flies."

In 1983, he was lured away to Moet-Hennessy where he launched Petite Liqueur, a sparkling liqueur inspired by tasting an 1897 champagne - "delicious, sweet and underlined".

"We copied a little bottle from the 18th century and very pretty it looked. The idea was, really, to offer a sort of Babycham to rich

ladies. But we never really got the liquid vulgar enough."

Within a few years he had been lured to United Distillers through James Espy, his protector at IDV. Espy and Jago rescued Johnny Walker from a period of discounting, repackaged the Red and Black brands (saving UD a substantial amount in the process) and introduced Johnny Walker Blue over the heads of everyone else at UD. It now sells more than 20,000 cases a year at around £10 a bottle.

The name Espy and Jago had chosen for the whisky was "Oldest" and, when they moved to Seagram, they used it for up-market Chivas which is, as they say, "moving nicely in duty-free".

Even after Espy's departure Jago remains happily employed at Seagram with four new brands of Scotch to his credit. At 73, he still worries about his career but remains true to his motto, taken from a Confederate general: "You don't know where the enemy is until you lose a few scouts."

## Appetisers Ripe reds that are really on a roll

**C**alifornia is the source of some of the world's most sophisticated and wine-making today. Head west for a combination of France's flavours with an extra degree or two of ripeness and a near-obsession with smoothness of texture.

A fine example is Berliner Alluvium 1994 (Majestic £5.99), a blend of Bordeaux grapes based primarily on Merlot from Knights Valley at the top of Mount St Helena. Berliner is a California wine produced on a... roll.

Ridge Vineyards seems to have been on a roll ever since it was created as a weekend hobby for Silicon Valley pioneer way back in California pre-history, in 1969. Ridge takes a kindly view of the British market and its wines are available from importers such as Adams of Southwark, Suffolk, Morris & Verdin of London and SE1 on 0171-357 8866; both sell futures in the ultra-serious Ridge Monte Bello Cabernet as well as from independents such as Lay & Wheeler of Colchester.

Waitrose, for example, has been offering the quite delicious Ridge Lytton Springs 1995 at £13.95 - slightly more than the £13.50 charged by Morris & Verdin, which has moved on to the 1996. The 1995 is a complete, lively wine made mainly but not exclusively from mature Zinfandel vines grown in a particularly Zin-friendly corner of Sonoma.

There is still a characteristic hint of berry jam underneath, but this is a wine with real structure that could be cellarled or drunk with great pleasure straight away, so long as it is served with fairly substantial food.

Adams may have a bottle or two of Ridge Mataro 1995 Santa Cruz for £14.95 made from old vines on the ridge south of San

Francisco. Thoroughly California and all the better for it. Mataro is the old Italian immigrant name for the fashionable Mourvèdre grape of Bandol which Jade Mountain, a firm whose California producer, takes particularly seriously. The 1996 Jade Mountain Mourvèdre is even more gorgeous than usual with its layers of fruit and incontestably grown-up impact on the palate.

Like so many fine California wines, it is imported into Britain by Morris & Verdin. They charge £18 a bottle for it and it is also available in a range of wine-minded restaurants such as Browns (where presumably it fights in a New World way with classical French food) and in Harvey Nichols of London and Tremayn & Webb of Chipping Ongar, Essex (0177-890525).

Jonas Robinson

■ Last week, Jeremy King and Chris Corbin sold The Ivy, Le Caprice and the two Sheeky's restaurants for £13m in cash, loan notes and shares to the publicly quoted Beigo restaurant group. Since then, the Pharmacy in Notting Hill Gate - the creation of artist Damien Hirst and public relations man Matthew Freud - has been reversed into the Hartford Group, a small, publicly quoted leisure group.

Although both these events



Mrs Kitcham, cheesemaker: from chef Paul Hesketh's book 'Rhubarb & Black Pudding', which he put together with food writer Matthew Fort. The book is out in just over a week's time on September 16 (Fourth Estate, £20). A passion for British food for all seasons

are predominantly London-orientated, they do confirm a growing national trend: British restaurants, once the domain of the individual entrepreneur, are being grouped into larger entities to maximise profitability. This may be good news for their shareholders, the stock market permitting of course, but what benefits will ensue for the restaurant-goer?

The answer, one must hope, is

lower prices. No one who has spent any time this summer on the Continent or in the US can return to the UK and fail to notice that restaurant and hotel prices are considerably higher.

Puzzlingly, there seems no obvious explanation. Prices in the remaining independently owned British restaurants are higher than their counterparts in France or Italy; prices in group-run restaurants are

higher than those in the US and prices in central London are higher than those in central Paris, Brussels or Manhattan.

A partial explanation - that the British economy has been so strong for the past three years that it has mitigated against price competition - must now be seen as history. A secondary factor, that these restaurant groups have only recently been established, and have therefore

not passed on the savings that they will make to their customers, may now be put to the test.

The consequence, unless there is a recession similar to that of the early 1990s or 1990s, when restaurant bookings were decimated and many establishments forced to shut, should not be closures, because many restaurants are so much more securely financed, but

greater competition, ultimately beneficial to the customer.

Nicholas Lander

■ I came in late to the small country house hotel, having taken too much drink on board, so much so that I couldn't find my room. My nocturnal wandering disturbed mine host who appeared in his pyjamas. "I'm drunk," I said apologetically. "So am I," was

Apart from anti-lock brakes, it has traction control and stability assurance systems like those used by Mercedes-Benz and BMW. And in the Puma and the Cougar, Ford has already demonstrated that it has mastered the art of making cars based on off-the-peg components, ride, handle and hold the road very well.

Appearance is such a personal matter that one should not pontificate, but the Focus has looks that are as head-turning as the Escort's were forgettable. So far, the only time I have seen the cars in the metal was at Geneva, when the three-door appealed to me more than the five-door. But, pictured against a natural background instead of an over-elaborate show stand, the five-door's proportions are pleasing. The rear/brake/turn signal light clusters that merge into the rear-most side windows and rear screen are bold and individual, as well as practical.

Future variations on the Focus theme will include a multi-purpose vehicle comparable with the highly successful Renault Megane Scenic and the forthcoming Vauxhall (Opel) Zafira.

Prices have not been made known yet but, as the recent introduction of new models such as the Renault Clio and Vauxhall Astra have indicated, the Focus is unlikely to cost much, if anything, more than its Escort equivalents.

## Motoring

## Ford's new model will act as an escort

The cost-conscious Focus is likely to serve the fleet and family market, says Stuart Marshall

of a two-door hatchback developed from the Fiesta. That won Ford an instant reputation for avant-garde styling that appealed to all age groups.

Next came the Puma, a delicious, sporty two-plus-two, also Fiesta-based. Then followed the Cougar, an elegant two-door coupe using Mondeo components and appealing to the children of people who had been seduced by the Cortina-based Capri's looks a generation earlier.

And now comes the Focus, which Ford believes, I think rightly, will take over where the Escort left off in the family-comfort market.

The Focus, which was previewed at the Geneva show last March at the same time as the Cougar, will at first complement the Escort, the current model of which will stay in production for about two more years. Its platform (the modern equivalent of a chassis) is entirely new; the suspension is fully independent, with a multi-link layout at the rear, and the body is said to be

the stiffest and lightest in its class.

Ford also claims the Focus has class-leading interior space and fuel economy. As is usually the case, the car is slightly larger than the one it succeeds: at 13ft 10in (415cm), the three- and five-door hatchbacks are 4in (10cm) longer overall, and more significantly in terms of passenger comfort, 3in (7cm) higher. The four-

door saloon and estate, due in January, are longer still, at 14ft 6in (438cm) and 14ft 9in (444cm), respectively.

Initially, four petrol engines will be offered when the new car

goes on sale next month. They are multi-valve Zetec units of 1.4, 1.6 and 2.0 litres capacity, with power outputs ranging from 75 to 130 horsepower and fuel consumptions said to be 10 per cent lower than existing competitors.

At the beginning of next year, the 1.8-litre Endura turbo-diesel will be added. This has an electronically controlled "common rail" injection system and produces a modest 80 horsepower, but far more torque (pulling power) than any of the petrol engines. It will be spectacularly economical, with an average 55.4mpg (5.1l/100km) for the five-door model and an overdrive top gear that should make it relaxed as well as frugal on the motorway.

Ford's claim that the seating

will make any driver, from a seven stone (44.5kg) woman only 10in (45cm) tall to a sixft 8in (203cm), 17 stone (106kg) man, comfortable at the wheel remains to be tested. What is not in doubt is that the Focus should be as safe and enjoyable to drive as many far more exalted cars.

The Focus has head-turning looks in three- and five-door versions

than the one it succeeds: at 13ft 10in (415cm), the three- and five-door hatchbacks are 4in (10cm) longer overall, and more significantly in terms of passenger comfort, 3in (7cm) higher. The four-

door saloon and estate, due in January, are longer still, at 14ft 6in (438cm) and 14ft 9in (444cm), respectively.

Initially, four petrol engines will be offered when the new car

goes on sale next month. They are multi-valve Zetec units of 1.4, 1.6 and 2.0 litres capacity, with power outputs ranging from 75 to 130 horsepower and fuel consumptions said to be 10 per cent lower than existing competitors.

At the beginning of next year, the 1.8-litre Endura turbo-diesel will be added. This has an electronically controlled "common rail" injection system and produces a modest 80 horsepower, but far more torque (pulling power) than any of the petrol engines. It will be spectacularly economical, with an average 55.4mpg (5.1l/100km) for the five-door model and an overdrive top gear that should make it relaxed as well as frugal on the motorway.

Ford's claim that the seating

will make any driver, from a seven stone (44.5kg) woman only 10in (45cm) tall to a sixft 8in (203cm), 17 stone (106kg) man, comfortable at the wheel remains to be tested. What is not in doubt is that the Focus should be as safe and enjoyable to drive as many far more exalted cars.

The Focus has head-turning looks in three- and five-door versions

than the one it succeeds: at 13ft 10in (415cm), the three- and five-door hatchbacks are 4in (10cm) longer overall, and more significantly in terms of passenger comfort, 3in (7cm) higher. The four-

door saloon and estate, due in January, are longer still, at 14ft 6in (438cm) and 14ft 9in (444cm), respectively.

Initially, four petrol engines will be offered when the new car

goes on sale next month. They are multi-valve Zetec units of 1.4, 1.6 and 2.0 litres capacity, with power outputs ranging from 75 to 130 horsepower and fuel consumptions said to be 10 per cent lower than existing competitors.

At the beginning of next year, the 1.8-litre Endura turbo-diesel will be added. This has an electronically controlled "common rail" injection system and produces a modest 80 horsepower, but far more torque (pulling power) than any of the petrol engines. It will be spectacularly economical, with an average 55.4mpg (5.1l/100km) for the five-door model and an overdrive top gear that should make it relaxed as well as frugal on the motorway.

Ford's claim that the seating

will make any driver, from a seven stone (44.5kg) woman only 10in (45cm) tall to a sixft 8in (203cm), 17 stone (106kg) man, comfortable at the wheel remains to be tested. What is not in doubt is that the Focus should be as safe and enjoyable to drive as many far more exalted cars.

The Focus has head-turning looks in three- and five-door versions

than the one it succeeds: at 13ft 10in (415cm), the three- and five-door hatchbacks are 4in (10cm) longer overall, and more significantly in terms of passenger comfort, 3in (7cm) higher. The four-

door saloon and estate, due in January, are longer still, at 14ft 6in (438cm) and 14ft 9in (444cm), respectively.

Initially, four petrol engines will be offered when the new car

goes on sale next month. They are multi-valve Zetec units of 1.4, 1.6 and 2.0 litres capacity, with power outputs ranging from 75 to 130 horsepower and fuel consumptions said to be 10 per cent lower than existing competitors.

At the beginning of next year, the 1.8-litre Endura turbo-diesel will be added. This has an electronically controlled "common rail" injection system and produces a modest 80 horsepower, but far more torque (pulling power) than any of the petrol engines. It will be spectacularly economical, with an average 55.4mpg (5.1l/100km) for the five-door model and an overdrive top gear that should make it relaxed as well as frugal on the motorway.

Ford's claim that the seating

will make any driver, from a seven stone (44.5kg) woman only 10in (45cm) tall to a sixft 8in (203cm), 17 stone (106kg) man

## TRAVEL



# The rebuilding of Babylon

Size is everything, says Nigel Andrews, and Las Vegas is there to prove it

**A**t the Pyramid Café in the Luxor Hotel, Las Vegas, you can have a fantastic prime rib of beef. While waiting for it to arrive, you can look down at the statistics-packed place-mat and learn all about the hotel itself, including the fact that it is the second largest in the world. I was so amazed by this - I was after all staying there, in the Nefertiti Tower of the Abu Simbel Wing or the Karnak Annex or some such - that after dinner I went straight up to the main reception desk. "What is the largest?" I asked.

"I beg your pardon, sir?"

"The largest hotel in the world?"

"Just a minute, please, sir. [To another customer with unflinching business] Will that be cash or charge?"

The reception queues take forever, so I gave up. Later I learned - and no wonder you don't get a quick answer at the Luxor - that the world's largest hotel is right across the road: the Las Vegas MGM Grand. Where the Luxor is a 248m sq ft black pyramid standing 70ft tall with an atrium in which you could house nine Boeing 747s (says the place-mat), the MGM Grand is an emerald-green hangar that looks as if it could contain all of New York.

It doesn't need to, though. That city is just over the crossroad from it. The belief-beggarining facade of the New York New York hotel, opened this year, con-

sists of every major Manhattan skyscraper including the World Trade Center, the Chrysler Tower and the Empire State jammed together in an enormous vari-pattled vertical sandwich. It is fronted by the Statue of Liberty, all bustiness and sitting in a lake being sprayed by fire-tugs and also by the writhing curves of a giant rollercoaster.

You used to come to Las Vegas to gamble. Today you come to goggle. They have rebuilt Babylon on Earth and you can see it from outer space. Size is everything and here is the town to prove it. Even extra-terrestrial

will get the message. The Xenon searchlight that shoots skyward from the Luxor's apex is so powerful that you can read a newspaper by it 10 miles out - and it can be observed from the Moon. The only other human-visible terrestrial feature is the Great Wall of China, soon, no doubt, coming to Nevada.

I was there on Easter weekend, having escaped by car from a dormant Hollywood, and I do not think I have ever enjoyed a place more. It has become a citywide theme park, a Theme Town. Children were going berserk and par-

ents were going berserk trying to keep them from going berserk.

When I last visited 20 years ago, this place was a gashly mess, full of people trying to rob you legally. Former founder Bugsy Siegel might only just have left. All-too-visible bouncers patrolled the halls ready to eject you base over atrium if you won too much money. And before arriving you were given a book of coupons at the state frontier - free breakfasts, discount rooms, 50 per cent of your visit to the Liberace Museum - because all the town wanted was your gambling lucre.

Once there, you went clinically mad. For 24 hours a day, your eyes rolled like fruit-machines and your ears developed a tintinnabulant tinnitus. Or so it seemed: in fact the ringing did go on - one-arm bandits in every hotel and casino around the clock.

It still does, but today you can get away. When sated with gambling, or with the Luxor itself and its diagonally moving lifts, and matronic talking camels and life-size exterior Sphinx guarding the gardens, you can go by walkway to the next door Excalibur Hotel. This is the town's medi-

eval hang-out. Rainbow-hued towers top cream-coloured towers as if Walt Disney had got together with Gilbert Scott, while inside buckets sound, wenches serve meat and at mealtimes there is a strange, charry smell - as of

off horses "while-U-eat" actually featured in the Jim Carrey film *The Cable Guy*. I took one look, or rather smell, and decided against. They don't seem to have extracted the smoke and dinner odours since the Middle Ages.

In Las Vegas you walk impossible distances because you are drunk with what you are seeing. Going north from the main crossroads you run into the old Strip where Caesar's Palace (still looking epic) gazes at the Flamingo Hilton (now looking puny), and where once-glitzy monuments like the Aladdin are closed and for sale. Not everyone wins in the new Vegas.

On the left, though, they are completing a fresh summer called the Bellagio. This seems to be a near-life-sized recreation of Lake Como overlooked by cypresses, villas and a hotel the size of 48 Jumbos. A little further on, ground has also been broken on a new Venice-themed hotel.

You are distracted, however, by a volcano erupting further up still. This is the evening attraction at the Mirage Hotel. Seemingly molten lava spews towards fascinated onlookers who are thereby persuaded to enter and to eat.

galligor-snapping jungle cat at the MGM Grand; the \$20-per-portrait orang-utan who wants to be photographed with you, his arms raised above him on the sofa-like a bored odalisque; the Excalibur Hotel parakeet who imitates Elvis Presley; the Liberace Museum, containing the world's biggest rhinestone; or the death-defying terror of the New York New York rollercoaster, which drags you ever so slowly towards the top of the four Chrysler Tower before bucketing you down at warp speed towards the four Brooklyn Bridge.

This whole town is *size*; of course - that is its wonder. Vegas itself is the biggest rhino stone in the world. How long, I wondered, before someone makes a movie in which aliens land on earth and their touchdown point is this demented El Dorado, a city formed from the world's re-processed architectural gold?

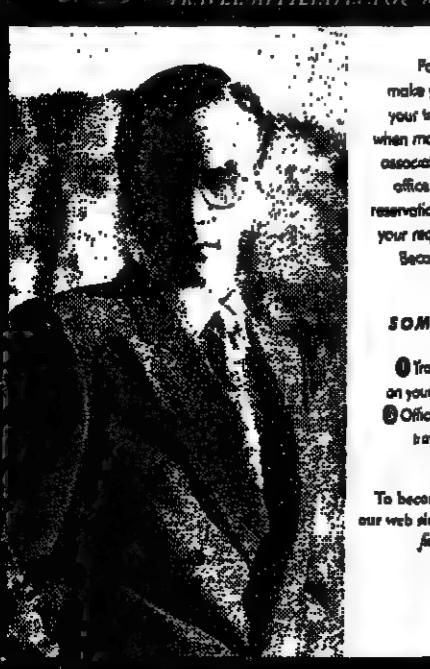
Would the aliens think we were a planet of vulgarians or of genituses? Is reproduction on this scale naff or does it become its own art?

Then again, perhaps the aliens wouldn't give themselves time to ponder at all. Perhaps they would head straight for the gaming tables and the planet would be saved. For you can still win or lose large sums in Vegas. It is just that today the state of your pocket seems magically to be of mind; concern; which may of course be the town's most brilliant money-making scam yet.

## HOLIDAYS & TRAVEL

### Cut Travel Costs By 50%

IF YOU'RE NOT PURCHASING YOUR BUSINESS TRAVEL AS A CORPORATE TRAVEL AFFILIATE, YOU'RE PAYING TOO MUCH!



For only \$495.00 USD, you have the opportunity to make your own travel reservations and save up to 50% on your travel costs. You can also earn lucrative commissions when making airline, hotel and car rental reservations for your associates. And you can do it from your home or existing office without the headaches or start-up costs. You make reservations on-line using our web site, or you can fax or e-mail your requests to our reservations center for prompt response. Because travel itineraries are priced in the deregulated United States, you can save thousands!

**SOME OF THE MATERIALS AND BENEFITS YOU WILL RECEIVE INCLUDE:**

- Travelers affiliation allowing you to earn commissions on your travel reservations
- On-line reservations via our web site
- Official Corporate Travel Affiliate ID for discounts on personal travel
- Lower pricing through our United States rate desk
- Exclusive access to airport lounges worldwide

To become a Corporate Travel Affiliate, you can register on our web site at [www.corporatetravel.com](http://www.corporatetravel.com) or request an application by fax: 001-716-586-8688, phone: 001-716-383-4479 or e-mail: [info@corporatetravel.com](mailto:info@corporatetravel.com)

TravelPlus.com  
[www.travelplus.com](http://www.travelplus.com)

#### GOLF

**GOLF PACKAGES IN SCOTLAND**  
Specially tailored for you by:  
TRISTLE GOLF (SCOTLAND) LTD  
Also Corporate/Group Days  
Tel/Fax: 0141 - 248 4554

E-mail: [tristlegolf@scotland.demon.co.uk](mailto:tristlegolf@scotland.demon.co.uk)  
See our brochure on:  
[www.bettertravel.com/tristlegolf/Scotland](http://www.bettertravel.com/tristlegolf/Scotland)

#### BALEARICS

#### MALLORCA

#### READ'S. My Favourite

Mallorcan Country Hotel.....

Brian Jackman, Daily Telegraph

Travel Writer. Feb 97

Totally Secluded but 15

minutes from Palma 500

year old palace with

gourmet restaurant,

pool & tennis court.

Phone 0034 971 140262,

fax 0034 971 140762, or

e-mail: <http://www.todoespas/reads>

for further information/brochure.

**GOLF FOR BEGINNERS & IMPROVERS**  
Weedy courses in lovely Border areas of Scotland. Top class pro. Different courses played everyday incl. Championship Pottershouse Park. Staying as house guest in country mansion house. Friendly ambience. Small numbers.

Tel/Fax 01835 550769

**Sunspots Holidays**  
THE LARGEST LUXURY HOLIDAY  
Marine Delights

ALL FLIGHTS  
LUXURY AIRPORT TRANSFERS  
FIVE STAR HOTEL  
DIVING/SCUBA DIVING THE REEFS OF PULAU PAYAR

DEEP SEA FISHING

SUNSET COCKTAIL CRUISE

PLEASURE FLIGHT AROUND BEAUTIFUL LANGKAWI

RAINFOREST WALKS

For your free brochure

Tel: 0181 341 1221

Fax: 0181 341 1232

E-mail: [sunspots63@btconnect.com](mailto:sunspots63@btconnect.com)

ATOL 4959

#### GOA

GOA SPECIALIST - Family run to 5\* 32 hotels, 48 page brochure. Tel: 01261 533329. ATOL 3202.

**INDIA**  
BORNED  
A destination like no other...  
superb beaches & islands, unique wildlife... once  
tasted never forgotten...  
India - Land of mysticism, mystery and ancient cultures  
NEI (UK)

TOURS, GROUP TRAVEL, INDIA

NEI (UK)</p



## TRAVEL



Stockholm: a city of church spires, copper-covered roofs, solid, 19th century neo-Gothic buildings - and lots of water

City break: Stockholm / Nicholas Woodsworth

## Summer with Sonja

**T**he whitebait roe was as light and refreshing as the sea itself, the lobster-stuffed sole that followed it rich and flavoursome. I am a lover of all things fishy, and usually such fare claims my undivided attention. But on this occasion I was having trouble. It was the view. From the Gondolen restaurant, perched on a steel-girder tower high above Stockholm harbour, the Baltic Sea beckoned.

Spread below me lay a city of church spires, copper-covered roofs and solid, 19th century neo-Gothic buildings. For a water enthusiast like me Stockholm offers some attractions, I must admit. From my crow's-nest position I could see boats, moorings, marinas and bridge-spanned waterways everywhere - built on 14 islands, the city is made as much of water as it is of dry land. And as Stockholmers will proudly tell you, the water is so clean here that salmon can be caught from bridges in the very heart of the city.

Stockholm, nonetheless, is a big, bustling place. As I smothered crispbread with red roe, sour cream and fragrant dillweed, my eyes kept wandering up the Saltsjön, the broad channel leading eastward from Stockholm harbour into the Baltic.

On its face bobbed all kinds of lesser marine traffic - yachts and motor-cruisers and small pleasure craft. I was envious. Where were they headed? But I knew the answer already, for I had seen *Summer with Monika*.

Years ago, when Ingmar Bergman films and words like "angst" were essential parts of student-café conversations, I watched enchanted as Bergman's teenaged screen creation, Monika, and her young companion, escaped the dull responsibilities of Swedish working-class life. Borrowing a small boat, they fled to the Stockholm archipelago. There, no distance from the city but a world away in spirit, they lived a carefree idyll of sea and northern sunshine, wild berries and just-caught fish, love and youthful innocence.

It lasted only a summer - just long enough for Monika to become pregnant - before the couple were forced to return to grimier urban realities. But it was one of Bergman's happier, less angst-ridden films, and left the impression that

these islands could do even the gloomiest Swede a power of good. Now, in that same balmy, Nordic, light-filled summer season, the archipelago lay within my sight. The temptation was irresistible; I decided I too, would flee to the archipelago.

I was not the only escapee. The next morning, the ferry landing in front of the city's grand opera house was crowded with Swedes and foreigners equally intent on flight. As the jet-boat roared smartly out of the city - Stockholm ferry-captains handle their craft with the same confident panache as Parisian taxi-drivers handle their cars - I chatted with fellow passengers.

"We Swedes are not really city people at all - we are crazy about the outdoors, especially in summer." See their dentists more often? They get to bed earlier? Drink more milk? See their dentists more often?

What is it about Scandinavians that make them look so much healthier than the rest of us? Do they get to bed earlier? Drink more milk? See their dentists more often? They are tall, fair-haired, athletic-looking Swedes told me as he lounged on the rear deck, his face turned up to the sun.

What is it about Scandinavians that make them look so much healthier than the rest of us? Do they get to bed earlier? Drink more milk? See their dentists more often?

They are tall, fair-haired, athletic-looking Swedes told me as he lounged on the rear deck, his face turned up to the sun.

What is it about Scandinavians that make them look so much healthier than the rest of us? Do they get to bed earlier? Drink more milk? See their dentists more often?

They are tall, fair-haired, athletic-looking Swedes told me as he lounged on the rear deck, his face turned up to the sun.

What is it about Scandinavians that make them look so much healthier than the rest of us? Do they get to bed earlier? Drink more milk? See their dentists more often?

They are tall, fair-haired, athletic-looking Swedes told me as he lounged on the rear deck, his face turned up to the sun.

What is it about Scandinavians that make them look so much healthier than the rest of us? Do they get to bed earlier? Drink more milk? See their dentists more often?

They are tall, fair-haired, athletic-looking Swedes told me as he lounged on the rear deck, his face turned up to the sun.

What is it about Scandinavians that make them look so much healthier than the rest of us? Do they get to bed earlier? Drink more milk? See their dentists more often?

They are tall, fair-haired, athletic-looking Swedes told me as he lounged on the rear deck, his face turned up to the sun.

What is it about Scandinavians that make them look so much healthier than the rest of us? Do they get to bed earlier? Drink more milk? See their dentists more often?

They are tall, fair-haired, athletic-looking Swedes told me as he lounged on the rear deck, his face turned up to the sun.

What is it about Scandinavians that make them look so much healthier than the rest of us? Do they get to bed earlier? Drink more milk? See their dentists more often?

They are tall, fair-haired, athletic-looking Swedes told me as he lounged on the rear deck, his face turned up to the sun.

What is it about Scandinavians that make them look so much healthier than the rest of us? Do they get to bed earlier? Drink more milk? See their dentists more often?

They are tall, fair-haired, athletic-looking Swedes told me as he lounged on the rear deck, his face turned up to the sun.

What is it about Scandinavians that make them look so much healthier than the rest of us? Do they get to bed earlier? Drink more milk? See their dentists more often?

They are tall, fair-haired, athletic-looking Swedes told me as he lounged on the rear deck, his face turned up to the sun.

What is it about Scandinavians that make them look so much healthier than the rest of us? Do they get to bed earlier? Drink more milk? See their dentists more often?

They are tall, fair-haired, athletic-looking Swedes told me as he lounged on the rear deck, his face turned up to the sun.

What is it about Scandinavians that make them look so much healthier than the rest of us? Do they get to bed earlier? Drink more milk? See their dentists more often?

They are tall, fair-haired, athletic-looking Swedes told me as he lounged on the rear deck, his face turned up to the sun.

What is it about Scandinavians that make them look so much healthier than the rest of us? Do they get to bed earlier? Drink more milk? See their dentists more often?

They are tall, fair-haired, athletic-looking Swedes told me as he lounged on the rear deck, his face turned up to the sun.

What is it about Scandinavians that make them look so much healthier than the rest of us? Do they get to bed earlier? Drink more milk? See their dentists more often?

They are tall, fair-haired, athletic-looking Swedes told me as he lounged on the rear deck, his face turned up to the sun.

What is it about Scandinavians that make them look so much healthier than the rest of us? Do they get to bed earlier? Drink more milk? See their dentists more often?

They are tall, fair-haired, athletic-looking Swedes told me as he lounged on the rear deck, his face turned up to the sun.

What is it about Scandinavians that make them look so much healthier than the rest of us? Do they get to bed earlier? Drink more milk? See their dentists more often?

They are tall, fair-haired, athletic-looking Swedes told me as he lounged on the rear deck, his face turned up to the sun.

What is it about Scandinavians that make them look so much healthier than the rest of us? Do they get to bed earlier? Drink more milk? See their dentists more often?

They are tall, fair-haired, athletic-looking Swedes told me as he lounged on the rear deck, his face turned up to the sun.

What is it about Scandinavians that make them look so much healthier than the rest of us? Do they get to bed earlier? Drink more milk? See their dentists more often?

They are tall, fair-haired, athletic-looking Swedes told me as he lounged on the rear deck, his face turned up to the sun.

What is it about Scandinavians that make them look so much healthier than the rest of us? Do they get to bed earlier? Drink more milk? See their dentists more often?

They are tall, fair-haired, athletic-looking Swedes told me as he lounged on the rear deck, his face turned up to the sun.

What is it about Scandinavians that make them look so much healthier than the rest of us? Do they get to bed earlier? Drink more milk? See their dentists more often?

They are tall, fair-haired, athletic-looking Swedes told me as he lounged on the rear deck, his face turned up to the sun.

What is it about Scandinavians that make them look so much healthier than the rest of us? Do they get to bed earlier? Drink more milk? See their dentists more often?

They are tall, fair-haired, athletic-looking Swedes told me as he lounged on the rear deck, his face turned up to the sun.

What is it about Scandinavians that make them look so much healthier than the rest of us? Do they get to bed earlier? Drink more milk? See their dentists more often?

They are tall, fair-haired, athletic-looking Swedes told me as he lounged on the rear deck, his face turned up to the sun.

What is it about Scandinavians that make them look so much healthier than the rest of us? Do they get to bed earlier? Drink more milk? See their dentists more often?

They are tall, fair-haired, athletic-looking Swedes told me as he lounged on the rear deck, his face turned up to the sun.

What is it about Scandinavians that make them look so much healthier than the rest of us? Do they get to bed earlier? Drink more milk? See their dentists more often?

They are tall, fair-haired, athletic-looking Swedes told me as he lounged on the rear deck, his face turned up to the sun.

What is it about Scandinavians that make them look so much healthier than the rest of us? Do they get to bed earlier? Drink more milk? See their dentists more often?

They are tall, fair-haired, athletic-looking Swedes told me as he lounged on the rear deck, his face turned up to the sun.

What is it about Scandinavians that make them look so much healthier than the rest of us? Do they get to bed earlier? Drink more milk? See their dentists more often?

They are tall, fair-haired, athletic-looking Swedes told me as he lounged on the rear deck, his face turned up to the sun.

What is it about Scandinavians that make them look so much healthier than the rest of us? Do they get to bed earlier? Drink more milk? See their dentists more often?

They are tall, fair-haired, athletic-looking Swedes told me as he lounged on the rear deck, his face turned up to the sun.

What is it about Scandinavians that make them look so much healthier than the rest of us? Do they get to bed earlier? Drink more milk? See their dentists more often?

They are tall, fair-haired, athletic-looking Swedes told me as he lounged on the rear deck, his face turned up to the sun.

What is it about Scandinavians that make them look so much healthier than the rest of us? Do they get to bed earlier? Drink more milk? See their dentists more often?

They are tall, fair-haired, athletic-looking Swedes told me as he lounged on the rear deck, his face turned up to the sun.

What is it about Scandinavians that make them look so much healthier than the rest of us? Do they get to bed earlier? Drink more milk? See their dentists more often?

They are tall, fair-haired, athletic-looking Swedes told me as he lounged on the rear deck, his face turned up to the sun.

What is it about Scandinavians that make them look so much healthier than the rest of us? Do they get to bed earlier? Drink more milk? See their dentists more often?

They are tall, fair-haired, athletic-looking Swedes told me as he lounged on the rear deck, his face turned up to the sun.

What is it about Scandinavians that make them look so much healthier than the rest of us? Do they get to bed earlier? Drink more milk? See their dentists more often?

They are tall, fair-haired, athletic-looking Swedes told me as he lounged on the rear deck, his face turned up to the sun.

What is it about Scandinavians that make them look so much healthier than the rest of us? Do they get to bed earlier? Drink more milk? See their dentists more often?

They are tall, fair-haired, athletic-looking Swedes told me as he lounged on the rear deck, his face turned up to the sun.

What is it about Scandinavians that make them look so much healthier than the rest of us? Do they get to bed earlier? Drink more milk? See their dentists more often?

They are tall, fair-haired, athletic-looking Swedes told me as he lounged on the rear deck, his face turned up to the sun.

What is it about Scandinavians that make them look so much healthier than the rest of us? Do they get to bed earlier? Drink more milk? See their dentists more often?

They are tall, fair-haired, athletic-looking Swedes told me as he lounged on the rear deck, his face turned up to the sun.

What is it about Scandinavians that make them look so much healthier than the rest of us? Do they get to bed earlier? Drink more milk? See their dentists more often?

They are tall, fair-haired, athletic-looking Swedes told me as he lounged on the rear deck, his face turned up to the sun.

What is it about Scandinavians that make them look so much healthier than the rest of us? Do they get to bed earlier? Drink more milk? See their dentists more often?

They are tall, fair-haired, athletic-looking Swedes told me as he lounged on the rear deck, his face turned up to the sun.

What is it about Scandinavians that make them look so much healthier than the rest of us? Do they get to bed earlier? Drink more milk? See their dentists more often?

They are tall, fair-haired, athletic-looking Swedes told me as he lounged on the rear deck, his face turned up to the sun.

What is it about Scandinavians that make them look so much healthier than the rest of us? Do they get to bed earlier? Drink more milk? See their dentists more often?

They are tall, fair-haired, athletic-looking Swedes told me as he lounged on the rear deck, his face turned up to the sun.

What is it about Scandinavians that make them look so much healthier than the rest of us? Do they get to bed earlier? Drink more milk? See their dentists more often?

They are tall, fair-haired, athletic-looking Swedes told me as he lounged on the rear deck, his face turned up to the sun.

What is it about Scandinavians that make them look so much healthier than the rest of us? Do they get to bed earlier? Drink more milk? See their dentists more often?

They are tall, fair-haired, athletic-looking Swedes told me as he lounged on the rear deck, his face turned up to the sun.

What is it about Scandinavians that make them look so much healthier than the rest of us? Do they get to bed earlier? Drink more milk? See their dentists more often?

They are tall, fair-haired, athletic-looking Swedes told me as he lounged on the rear deck, his face turned up to the sun.

What is it about Scandinavians that make them look so much healthier than the rest of us? Do they get to bed earlier? Drink more milk? See their dentists more often?

They are tall, fair-haired, athletic-looking Swedes told me as he lounged on the rear deck, his face turned up to the sun.

What is it about Scandinavians that make them look so much healthier than the rest of us? Do they get to bed earlier? Drink more milk? See their dentists more often?

They are tall, fair-haired, athletic-looking Swedes told me as he lounged on the rear deck, his face turned up to the sun.

What is it about Scandinavians that make them look so much healthier than the rest of us? Do they get to bed earlier? Drink more milk? See their dentists more often?

They are tall, fair-haired, athletic-looking Swedes told me as he lounged on the rear deck, his face turned up to the sun.

What is it about Scandinavians that make them look so much healthier than the rest of us? Do they get to bed earlier? Drink more milk? See their dentists more often?

They are tall, fair-haired, athletic-looking Swedes told me as he lounged on the rear deck, his face turned up to the sun.

What is it about Scandinavians that make them look so much healthier than the rest of us? Do they get to bed earlier? Drink more milk? See their dentists more often?

They are tall, fair-haired, athletic-looking Swedes told me as he lounged on the rear deck, his face turned up to the sun.

What is it about Scandinavians that make them look so much healthier than the rest of us? Do they get to bed earlier? Drink more milk? See their dentists more often?

They are tall, fair-haired, athletic-looking Swedes told me as he lounged on the rear deck, his face turned up to the sun.

What is it about Scandinavians that make them look so much healthier than the rest of us? Do they get to bed earlier? Drink more milk? See their dentists more often?

They are tall, fair-haired,

and's  
rove

## OUTDOORS / PROPERTY

## Gardening

# Three cheers for modern sweet pea breeders

Robin Lane Fox on a heavenly family of scent and colour

Gardeners still tend to believe that old is beautiful. "Old-fashioned" plants are said to sell more quickly. People forget how bright the old-fashioned flowers really were, at least until the show roses of the 1950s and 1960s became old-fashioned in the next millennium.

I feel sorry for the breeders. They are given the most awful press and are always accused of making flowers look too big, too vulgar and too boring. They are blamed for the loss of scent and are remembered for those misbegotten snapdragons said to look like hyacinths.

When you meet breeders, you find they are really very amiable people. They work on a longer schedule than horse-breeders and are often shy and short-sighted. They are not trying to make a mess of everything, to cross sheep with goats or to engineer the perfect athlete. They can be rather foolish about blue roses, but can score unacknowledged successes.

One of their triumphs is just beginning to show this weekend after an abnormally long season. Sweet peas are my emblems of the well-tended garden. They take time, a lot of it if you so choose, and they cannot be bought as cut flowers in shops. They die too quickly for the florists, but are the indispensable magic for late summer rooms and I remember with regret my few years without them.

This year has sorted out the losers, but it has had the great merit of extending the season longer than I can remember since 1988. Sweet peas hate too much heat and drought and have been pretty miserable in the scorching heat.

Sweet peas bring the old-fashioned fanciers out in force. They complain that the new varieties have no scent. They dislike their colour and blame the whole decline on the Spencers, which in this one instance is unfair. The Spencer strain of sweet pea was actually raised by Lord Spencer's gar-

deners, Mr Cole, who exhibited his first variety with touching loyalty under the name of Lady Spencer.

The flowers are bigger and have frilly edges. When they appeared in 1901, they were all the rage and drove the older varieties off the show-bench. Spencer varieties became the backbone of this century's breeding and left the small, old varieties in a forgotten side turning.

Those old varieties had to wait about 70 years for a serious comeback. When conservation began, it became horticulturally correct to admire the old Painted Lady varieties and to run down the Spencers for being over-bred. I started to believe the lament and convinced myself, on no evidence, that they lacked the scent of the old varieties.

Exhibitors taught me that

They die too quickly for the florists, but are the indispensable magic for late summer rooms

When well fed, sweet peas flower until the middle of September and smell delicious



Garden Picture Library

I was wrong, especially the often-crowned champions of British sweet pea growing, the Brackley family who sell seed of their many modern introductions from their headquarters at 117 Winslow Road, Winslow, Aylesbury, Buckinghamshire HP20 4QB.

For a month now, I have been picking bunches of the best of them, varieties called Esther Rantzen, Felicity Kendal and Sarah. Several years of moderate success has taught me, on poor soil, to obey a cardinal rule. Sweet peas are many times better if you feed them and experts such as the senior Mr Brackley know how to feed them best. When their food suits them, they flower until the middle of September and breathe the most delicious scent, which com-

pletely refutes those who believe that a lost past was sweater and more delicate.

Of course, the ground for good sweet peas should be prepared with rotted compost or manure, dug into the ground in early winter. It makes all the difference, but sometimes I forget and am glad to know from the exhibitors that some of the oversight can be repaired by scattering the fertiliser known as fish, blood and bone where young plants are to stand. It does not burn their roots which are likely to be short on soil, but it is best forked in, just below the depth at which they stand.

Next year, I will try a further ingenious aid. Young sweet pea plants tend to dislike the cold nights and cold winds which greet them in

mid to late April. I have been told to try putting the young plants in the miniature tunnel of the cardboard core of a lavatory roll.

The next turning point is in late June, when the plants are growing away. They respond very well to diluted fertiliser, applied through a can or spray. I still use Phostrogen and have kept it up until this weekend, making the plants double their effort. The expert alternative is to use the tomato fertiliser, Tomorite, at half-strength. If you put it on at full strength, it burns the petals of the cream and white varieties.

Matthewman's Sweet Peas at 14 Chariot Way, Thorpe Audlin, Pontefract, West Yorkshire WF8 3EZ, is another excellent source of

the latest types of seed. The growers are rightly impressed with the creamy-flowered Jilly which they described to me at the Hampton Court show as the best cream variety ever bred.

Nothing competes with the scent and colour of this heavenly family. In 1800, a country clergyman put the matter very well: "Gentlemen," he reminded us, "the sweet pea has a keel that was meant to seek all shores. It has wings that were meant to fly across all continents. It has a standard which is friendly to all nations. It has a fragrance like the universal gospel."

Both these varieties are rightly rated by the growers as strongly scented, the equal of the romanticised old varieties. The breeders have given us better colour, bigger flowers, a longer season and the scent which they were supposed to have lost.

Most of us sow our sweet

peas in March. We forget that older experts and exhibitors sow them during the second week in October in pots which are kept in cold frames or unheated green-

houses. You might like to try seed from one of the best modern breeders and give them a racing start in six weeks' time.

Nothing competes with the

## Nature is as man does

Roy Barnes waxes lyrical on changing fashions in language

Natural is good. It is taken as an undeniable premise that nature and, as a result, all that is natural, or at least naturalistic, is to be aimed for.

Samuel Johnson, the 18th century man of letters, didn't think so: nature was something to be turned into productive farms.

But in the late 20th century, "being natural" has become the moral philosophy of the western world - a label of respectability and an excuse for all sorts of odd behaviour. Poets tend to take nature as she comes, as they do most things. The world and people in it are for observing: "I know a bank whereon the wild thyme blows, Where oxlips and the nodding violet grows. Quite overcanopied with lush woodbine. With sweet musk roses, and with

eglington."

Taxonomists, too, observe,

but they're not officially allowed to express their feelings in taxospeak: "giantine", for example, would be described as derived from Latin *acus* (needle) through *aculeus* (prickle or sting) to *aculeatus* (prickling) ... etc.

A literary historian might point out that, while Shakespeare is almost certainly intending to indicate the sweet-briar or wild rose, Milton in *L'Allegro* uses the word to mean honeysuckle.

Do taxonomists really have to make gardeners' lives so miserable with their continual definitions and redefinitions? Does it matter much? Well, if it's an absolute accuracy of description that is wanted, they have no option, but if it's an expression of man's feelings for Nature, then poetry, not science, will provide.

Victorians took a different view of life. They worked within a system of long-standing, stable and generally accepted beliefs - Church, Monarchy, Class, Empire. The relationship between Man and the world of Nature and his right to dominate and exploit it was never seriously questioned.

The language of the late

20th century, in which the advertising clichés of the age - natural, healthy, life-enhancing - contain the wealth of our misgivings about ourselves, our place in the universe, our destructive nature, simply has no place in, for example, Gertrude Jekyll's canon. Ecologically aware she was not: a right to expect that what they read makes sense. Gertrude Jekyll, for all her strongly expressed dislikes and personal foibles, can never be misunderstood. Her language is clear and forthright and her meaning never disguised. She even has an engaging line in healthy self-criticism, telling herself to beware of exhibiting "an intolerant spirit of cocksure pontification" - a most useful piece of advice for us all.

## On the Move

# A long walk with heavy shopping is bad news

Public transport affects values, says Gerald Cadogan



The further you go, the more you get: Rose Cottage has two bedrooms in Hampshire



And in Kent: Cleve Court, with an ice house and orangery, heated pool and tennis court

Living near efficient public transport is a key factor affecting property values in London, as Greenwich demonstrates. Prices have risen there in advance of the extension into the area of both the Docklands Light Railway and the Jubilee Line of the Underground.

When the latter will open remains a guess; it would not be surprising to see the DLR get there first. But we must hope that both will be ready to carry the crowds to the Millennium Dome.

The next areas that look likely to benefit from better public transport are surprising. A report on the prime central London market from DTZ Debenham Thorpe identifies Paddington and Bayswater, where many properties have had a run-down look for years, as targets of developers' interest. Why?

Because the Heathrow Express has brought London's principal airport within 15 minutes of Paddington railway station. Greater dependence on public transport is a trend that is bound to continue as deputy prime minister John Prescott and the London boroughs devise ever more

constraints on cars. According to the report, this fundamental shift in policy will "enhance the value of schemes close to public transport facilities. It is vital for anyone buying in London, whether second-hand or new, to look critically at the quality of local transport and parking. The bad location is a long walk, with heavy shopping bags from the bus or tube."

Other negative factors

On the plus side, the population of inner London has been increasing since 1991, thanks to former Londoners moving back, inward migration from the rest of the UK and abroad, and people living longer. Add a concentration of people with above average incomes who have had enough of commuting from the Home Counties (easier to stomach 20 years ago, when one spent fewer hours in the office), and the

long-term pressure of demand in the inner London market looks set to ride out intervening blips.

For this year, the DTZ

Debenham Thorpe report

predicts a 7 to 9 per cent rise

in capital values.

For £300,000

Outside London, what can one buy for about £300,000?

The further you go, the more you get. At £295,000, Tan-

field Hall is an old village manor with seven bedrooms and a walled garden with superb 1730 wrought iron gates (listed grade I), in Co Durham, yet near Gateshead, Newcastle, GA Town & County (0191-488 7023) is the agent.

For the same price, GW Fins (0104-612147) offers the main part of the handsome early Georgian Cleve Court at Minster near Rye in Kent. Although with only

three bedrooms, it has a large slice (3.8 acres) of the gardens, including an ice house and an orangery, as well as a heated pool and tennis court.

At £300,000, Strutt & Parker (01822-215631) is selling the pretty stuccoed late Georgian Rose Hill at Sidbury in Devon, with 4 to 5 bedrooms. It is thought to be Jane Austen's original for Barton Cottage, where the Dashwood family moved in

*Sense and Sensibility*.

In Hampshire, near Basingstoke and exit 6 on the M3, it is the same price for the two-bedroom thatched Rose Cottage at Timworth Hill & Mortison (01256-702892) as agent. And near Guildford in Surrey, a three-bedroom Victorian semi-detached cottage at Lockner Holt, once an estate gardener's cottage, costs £215,000, through Burns & Webber (01453-440800).

## COUNTRY PROPERTY

Only the most desirable locations.  
Exclusively Bryant.



Bryant choose only the most exclusive locations for their homes. Only select developments that are now available at prestigious new sites. Individually designed homes that are appointed to the very highest specification. With meticulous attention to detail throughout and tailored to your specific requirements. Complete with a personalised service - offering a direct line of communication assuring that your move into a Bryant Country Home is trouble free.

**BERKSHIRE**  
SUNNINGHILL, 'Lutwod',  
Bagnor Road, 5 bedrooms  
detached houses. Priced from  
£650,000. Contact: Debbie  
Porter. Tel: 01865 883555

**BUCKINGHAMSHIRE**  
BEACONSFIELD, 'Woodsides',  
Gregorys Road, 5 bedrooms  
detached houses. Price guide  
£115,000. Contact: Debbie  
Porter. Tel: 01865 883555

**GERRARDS CROSS**, Nunthrop  
Park, 9 bedroom detached  
houses. Coming soon.  
Contact: Debbie Porter.  
Tel: 01865 883555

**CHESHIRE**  
BOWDON, 'College House',  
South Drive Road.  
Apartments and Town Houses.

Prices on application.  
Contact: Debbie Porter.  
Tel: 01865 883555

Stoke Row Road, Nr Henley  
On-Thames. 5 bedroom  
detached houses. Priced from  
£45,000. Sales Centre open  
daily 11.00am - 5.00pm.  
Tel: 01491 628942

**SURREY**  
COHAM, 'Lynton Park',  
Sandy Lane. 5 bedroom  
detached houses. Priced from  
£715,000. Showhome open  
daily 10.00am - 5.00pm.

**LEICESTERSHIRE**  
LEICHLADE, 'Sherborne Park',  
Loders Field. 4 and 9 bedrooms  
houses. Priced from £275,000.  
Contact: Debbie Porter.  
Tel: 01865 883555

**KENT**

HADLOW, 'St. James Court',  
Maldon Road. 'Presbury'  
priced at £160,000. Contact:

Debbie Porter.  
Tel: 01865 883555

**OXFORDSHIRE**

COVENTRY, 'Cryfield', Gilbert  
Hill Road. 4 and 5

bedroom detached homes.  
Priced from £345,000.  
Showhome open daily  
9.30am - 5.00pm.

**LITTLE ASTON**, 'Endwood  
Park', Park Drive.  
Little Aston Park. 5 bedroom  
detached houses. Welcome Centre  
open daily 11.00am - 5.00pm.

**GODALMING**, 'Hydon Park',  
Sat Lane. 5 bedroom detached  
houses. Priced from £660,000.  
Contact: Debbie Porter.  
Tel: 01932 867168

**PRICES CORRECT AT TIME  
OF GOING TO PRESS.**



Freephone 0800 200 625 for your Bryant Country Homes brochure.



**Cornwall**  
Mawman Smith about 1 mile.  
Falmouth about 3 miles.  
A magnificent coastal house with  
spectacular unbroken sea views across  
Falmouth Bay

Hall, 25' drawing room, dining annex,  
fitted kitchen/breakfast room, cloakroom,  
5 bedrooms, 3 bathrooms (2 en suite).  
Integral garage. Landscaped garden, terrace,  
private steps to beach.

Joint Sole Agents: Knight Frank, (Exeter 01392 423111) and  
Berry & Co 01326 250862

Tel: 01392 423111

19 Southernhay East, Exeter EX1 1HQ

LAKE DISTRICT NATIONAL PARK OVERLOOKING LAKE  
WINDERMERERESIDENTIAL DEVELOPMENT/INVESTMENT  
OPPORTUNITY

Planning permission for twenty-eight apartments and cottages  
An elevated position above Bowness-on-Windermere extending to approximately 2.5  
Acres (1.1 Hectares) in a mature and attractive location with wonderful views over the  
Lake and distant fells.

One of the few remaining sites for residential development/conversion in a prime  
location of one of England's leading tourist/visitor locations.

A rare opportunity to develop and sell or retain for holiday or residential  
letting/investment.

**SALE BY TENDER - FINAL DATE FOR SUBMISSION: 2ND OCTOBER 1998**

Hackney & Leigh  
100 Sauchiehallgate, Kelvin, Gorbals, G4 8PU. Tel: 01539 729711.  
Fax: 01539 740272  
Email: h&l@netcom.co.uk

**£9,950 FOR  
YOUR OWN  
HOLIDAY  
HOME**

In south Devon.  
Enjoy 4 weeks of  
your choice each  
year for 12 years.

Indoor pool,  
snooker, Restaurant,  
etc. Intrigued? Call  
John Grange,  
Stoncombe Manor  
01548 531 922

**CGT ROLL-OVER  
HOLIDAY LODGE  
INVESTMENT**

Free legal fees,  
Capital growth,  
Quarterly earnings plus 10%  
Annual management fees,  
Package £7,500 to £1 million

Vernon Knight Associates  
1526 777-6242, Fax: 776-6242

## DO YOU KNOW

## ABOUT SOUTHERN

## HOUSE CHOICE

The market seems to be on the turn. But comparisons with 1988 are misleading, says Anne Spackman

**T**he property market – like the economy – is showing signs of being on the turn. So, will 1998, like 1988, turn out to be the start of Britain's winter of discontent?

Some signs are ominous. In the whirlwind of 1987, prices in London and parts of the south-east rose by 20 per cent in one year. Certain types of property have seen far greater increases. Family houses in the inner parts of London have doubled their 1988 value: de Groot Collis sold a house in Trevor Square, Knightsbridge, for £275,000 in 1988 and has just sold it again for £1.25m.

High inflation has encouraged speculation from domestic and overseas investors. London's Docklands, which heralded the last property crash, have once again been a big target.

The London and country markets have witnessed spectacular sales. Manor houses in Cambridge, priced at £500,000, have sold for £1m while the Culham Court Estate, valued at £2.5m, went for £12m in competitive bidding.

Some of those buying expensive properties have been taking on huge mortgages. Lane Fox in London cites a recent buyer with a 75 per cent loan on a £1.5m house.

If that is the bad news, the good news is that such examples are isolated. While similarities with 1988-89 can easily be identified, in general the property market and homeowners themselves are in a far less vulnerable position now than they were in the late 1980s.

A few figures illustrate the difference. Even by the most bullish measure – the Nationwide's index – the mainstream housing market has risen only 2% over the first quarter of 1998 and the second quarter of this year.

This compares with 45 per cent from the first quarter of 1987 to the second quarter of 1988 – the peak of the last cycle. Moreover, that 45 per cent came on the back of several years' growth during

the earlier part of the 1980s.

This time, the recovery comes after the property market's worst recession of the early 1990s; even after a 27 per cent increase, mainstream house prices are more than 30 per cent below their long-term trend.

Interest rates rose from 9.5 per cent in June 1988 to 14 per cent by June 1989. Today, mortgage rates are considered high at 8 per cent, and many people have fixed rates at nearer 7 per cent.

In terms of savings and borrowings, the differences are also significant. In the final quarter of 1988, the average UK household savings ratio was negative – people owed more money than they had. Now the ratio is at a historically high level.

Mortgages are also smaller. The Halifax Bank reports few borrowers with 80-100 per cent loans, which were common in the last boom. It adds that there is

little demand for higher loan-to-income multiples than the standard figure of 2.5.

With high levels of equity and savings, most homeowners look better placed to withstand potential redundancy or a fall in house prices than they were 10 years ago. The spectre of negative equity is not looming on the horizon.

If the general picture is calm, what about the vulnerable hot-spots? In the last recession, the areas worst affected were those where house prices had risen most sharply at the end of the cycle and where buyers had pushed out the boundaries of traditionally expensive areas. Thus commuters were paying Suffolk prices for Norfolk properties, and Hackney in east London became an extension of Islington.

The few places where this explosive combination is again being manifested look as if they are heading for another fall.

If there is one horseman of the Apocalypses, he is most commonly sighted riding through the streets east of central London. Areas such as the City, Clerken-

well, Docklands and parts of the south bank of the Thames have already become a buyer's market.

Added to a heady mixture of high prices and no residential tradition is the Hong Kong connection. The same investors who provided a rich market for devel-

opers 12 months ago have turned into net sellers.

Geoff Marsh of London Residential Research calculates that nearly 5,000 new flats will come up for sale in schemes marketed in south-east Asia between now and the end of next year – in addition to forced sales and owners trading up. He warns that some developers have been behaving like the cartoon character, Wile E Coyote, charging ahead without noticing that the ground has disappeared.

Robin Paterson of Hamptons International expects prices of vulnerable properties to fall between 10 and 25 per cent. He also fears prices will decline in areas where high concentrations of redundancies create a flood of forced sellers.

More generally, Paterson believes valuation levels in London and the top of the country market are at their highest point, but that prices actually paid are already lower than they would have been 12 months ago.

Stock levels have also risen, giving buyers far more bargaining power than they had two years ago. At Hamptons, the figures are up 18 per cent on last year, and last year was higher than 1998.

"People at the £1m level are already worried that they are buying at the top of the market," he says. "The reality is that there will be an adjustment in prices, but people are better cushioned against it than they were 10 years ago."

Agents dealing only with the very top of the London and country markets are less pessimistic. While most believe prices have levelled off this year, they say there are still plenty of buyers looking for the special multimillion pound homes and few of them to go round. Patrick Ram-

say of Knight Frank describes how he sees the next 12 months. "If there are 10 houses for sale and two of them are really good and eight are average, the eight may come back a bit," he says, "but the really special stuff will keep going."

"People know they are paying over the odds for the property, but it is what they want. The difference between these buyers and many buyers in the 1980s is that today they have the money, not just the aspirations."

Yolande Barnes of FPDSavills Research, who was one of the few people to predict the London boom, thinks the prime market has reached a plateau. She does not expect prices to fall, but believes any rises will be confined to a few percentage points.

Outside prime areas, her advice to buyers is to hold tight for 12-18 months. "There are bound to be a few bargains to be had."

Homeowners look better placed to withstand potential redundancy

well, Docklands and parts of the south bank of the Thames have already become a buyer's market.

Added to a heady mixture of

high prices and no residential tradition is the Hong Kong connection. The same investors who provided a rich market for devel-

opers 12 months ago have turned into net sellers.

Geoff Marsh of London Residential Research calculates that nearly 5,000 new flats will come up for sale in schemes marketed in south-east Asia between now and the end of next year – in addition to forced sales and owners trading up. He warns that some developers have been behaving like the cartoon character, Wile E Coyote, charging ahead without noticing that the ground has disappeared.

Robin Paterson of Hamptons International expects prices of vulnerable properties to fall between 10 and 25 per cent. He also fears prices will decline in areas where high concentrations of redundancies create a flood of forced sellers.

More generally, Paterson believes valuation levels in London and the top of the country market are at their highest point,

but that prices actually paid are already lower than they would have been 12 months ago.

Stock levels have also risen, giving buyers far more bargaining power than they had two years ago.

"People at the £1m level are already worried that they are buying at the top of the market," he says. "The reality is that there will be an adjustment in prices, but people are better cushioned against it than they were 10 years ago."

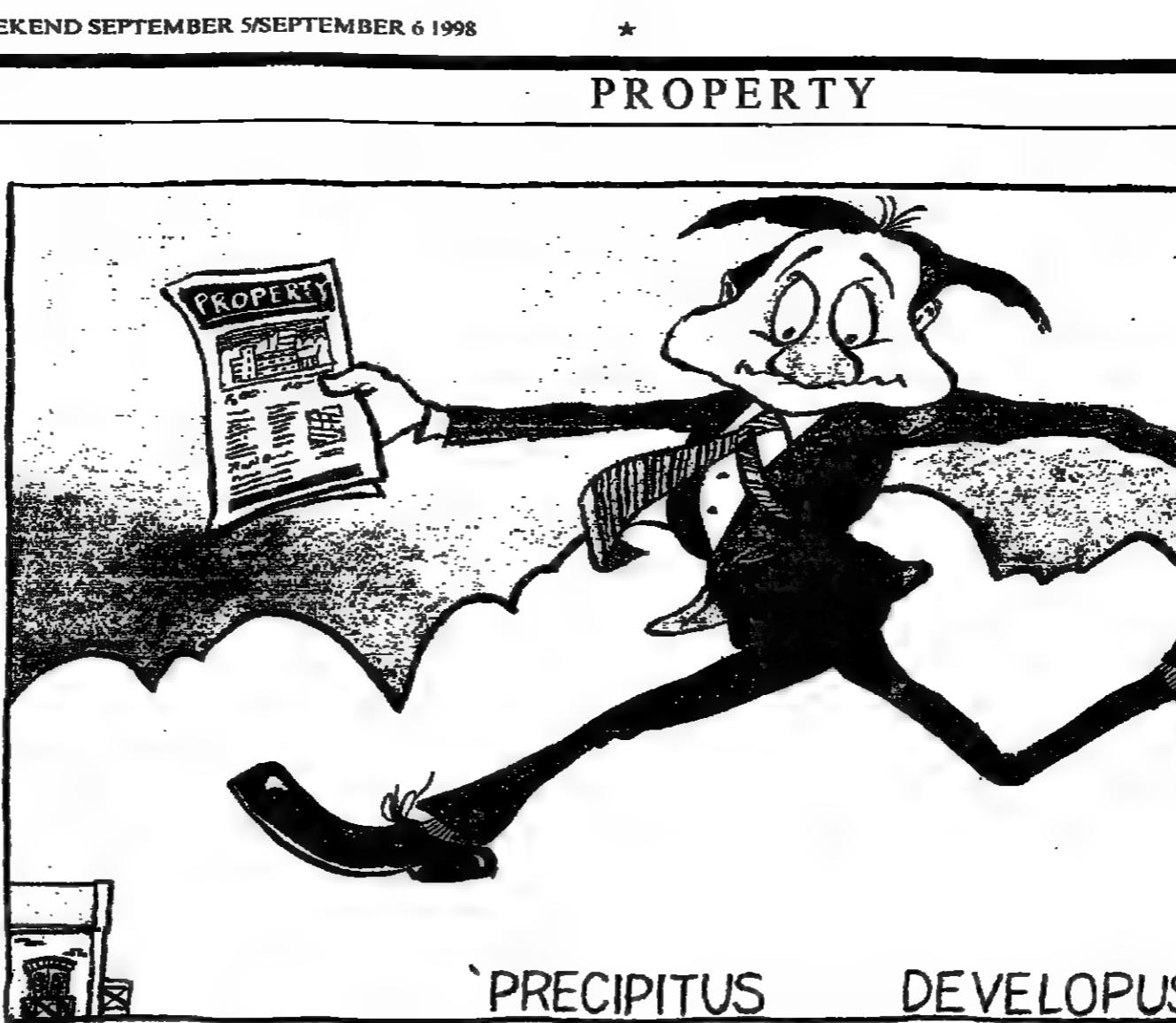
Agents dealing only with the very top of the London and country markets are less pessimistic. While most believe prices have levelled off this year, they say there are still plenty of buyers looking for the special multimillion pound homes and few of them to go round. Patrick Ram-

say of Knight Frank describes how he sees the next 12 months. "If there are 10 houses for sale and two of them are really good and eight are average, the eight may come back a bit," he says, "but the really special stuff will keep going."

"People know they are paying over the odds for the property, but it is what they want. The difference between these buyers and many buyers in the 1980s is that today they have the money, not just the aspirations."

Yolande Barnes of FPDSavills Research, who was one of the few people to predict the London boom, thinks the prime market has reached a plateau. She does not expect prices to fall, but believes any rises will be confined to a few percentage points.

Outside prime areas, her advice to buyers is to hold tight for 12-18 months. "There are bound to be a few bargains to be had."



## No grounds for charging ahead

the earlier part of the 1980s.

This time, the recovery comes after the property market's worst recession of the early 1990s; even after a 27 per cent increase, mainstream house prices are more than 30 per cent below their long-term trend.

Interest rates rose from 9.5 per cent in June 1988 to 14 per cent by June 1989. Today, mortgage rates are considered high at 8 per cent, and many people have fixed rates at nearer 7 per cent.

In terms of savings and borrowings, the differences are also significant. In the final quarter of 1988, the average UK household savings ratio was negative – people owed more money than they had. Now the ratio is at a historically high level.

This compares with 45 per cent from the first quarter of 1987 to the second quarter of 1988 – the peak of the last cycle. Moreover, that 45 per cent came on the back of several years' growth during

the earlier part of the 1980s.

This time, the recovery comes after the property market's worst recession of the early 1990s; even after a 27 per cent increase, mainstream house prices are more than 30 per cent below their long-term trend.

Interest rates rose from 9.5 per cent in June 1988 to 14 per cent by June 1989. Today, mortgage rates are considered high at 8 per cent, and many people have fixed rates at nearer 7 per cent.

In terms of savings and borrowings, the differences are also significant. In the final quarter of 1988, the average UK household savings ratio was negative – people owed more money than they had. Now the ratio is at a historically high level.

This compares with 45 per cent from the first quarter of 1987 to the second quarter of 1988 – the peak of the last cycle. Moreover, that 45 per cent came on the back of several years' growth during

the earlier part of the 1980s.

This time, the recovery comes after the property market's worst recession of the early 1990s; even after a 27 per cent increase, mainstream house prices are more than 30 per cent below their long-term trend.

Interest rates rose from 9.5 per cent in June 1988 to 14 per cent by June 1989. Today, mortgage rates are considered high at 8 per cent, and many people have fixed rates at nearer 7 per cent.

In terms of savings and borrowings, the differences are also significant. In the final quarter of 1988, the average UK household savings ratio was negative – people owed more money than they had. Now the ratio is at a historically high level.

This compares with 45 per cent from the first quarter of 1987 to the second quarter of 1988 – the peak of the last cycle. Moreover, that 45 per cent came on the back of several years' growth during

the earlier part of the 1980s.

This time, the recovery comes after the property market's worst recession of the early 1990s; even after a 27 per cent increase, mainstream house prices are more than 30 per cent below their long-term trend.

Interest rates rose from 9.5 per cent in June 1988 to 14 per cent by June 1989. Today, mortgage rates are considered high at 8 per cent, and many people have fixed rates at nearer 7 per cent.

In terms of savings and borrowings, the differences are also significant. In the final quarter of 1988, the average UK household savings ratio was negative – people owed more money than they had. Now the ratio is at a historically high level.

This compares with 45 per cent from the first quarter of 1987 to the second quarter of 1988 – the peak of the last cycle. Moreover, that 45 per cent came on the back of several years' growth during

the earlier part of the 1980s.

This time, the recovery comes after the property market's worst recession of the early 1990s; even after a 27 per cent increase, mainstream house prices are more than 30 per cent below their long-term trend.

Interest rates rose from 9.5 per cent in June 1988 to 14 per cent by June 1989. Today, mortgage rates are considered high at 8 per cent, and many people have fixed rates at nearer 7 per cent.

In terms of savings and borrowings, the differences are also significant. In the final quarter of 1988, the average UK household savings ratio was negative – people owed more money than they had. Now the ratio is at a historically high level.

This compares with 45 per cent from the first quarter of 1987 to the second quarter of 1988 – the peak of the last cycle. Moreover, that 45 per cent came on the back of several years' growth during

the earlier part of the 1980s.

This time, the recovery comes after the property market's worst recession of the early 1990s; even after a 27 per cent increase, mainstream house prices are more than 30 per cent below their long-term trend.

Interest rates rose from 9.5 per cent in June 1988 to 14 per cent by June 1989. Today, mortgage rates are considered high at 8 per cent, and many people have fixed rates at nearer 7 per cent.

In terms of savings and borrowings, the differences are also significant. In the final quarter of 1988, the average UK household savings ratio was negative – people owed more money than they had. Now the ratio is at a historically high level.

This compares with 45 per cent from the first quarter of 1987 to the second quarter of 1988 – the peak of the last cycle. Moreover, that 45 per cent came on the back of several years' growth during

the earlier part of the 1980s.

This time, the recovery comes after the property market's worst recession of the early 1990s; even after a 27 per cent increase, mainstream house prices are more than 30 per cent below their long-term trend.

Interest rates rose from 9.5 per cent in June 1988 to 14 per cent by June 1989. Today, mortgage rates are considered high at 8 per cent, and many people have fixed rates at nearer 7 per cent.

In terms of savings and borrowings, the differences are also significant. In the final quarter of 1988, the average UK household savings ratio was negative – people owed more money than they had. Now the ratio is at a historically high level.

This compares with 45 per cent from the first quarter of 1987 to the second quarter of 1988 – the peak of the last cycle. Moreover, that 45 per cent came on the back of several years' growth during

the earlier part of the 1980s.

This time, the recovery comes after the property market's worst recession of the early 1990s; even after a 27 per cent increase, mainstream house prices are more than 30 per cent below their long-term trend.

Interest rates rose from 9.5 per cent in June 1988 to 14 per cent by June 1989. Today, mortgage rates are considered high at 8 per cent, and many people have fixed rates at nearer 7 per cent.

In terms of savings and borrowings, the differences are also significant. In the final quarter of 1988, the average UK household savings ratio was negative – people owed more money than they had. Now the ratio is at a historically high level.

This compares with 45 per cent from the first quarter of 1987 to the second quarter of 1988 – the peak of the last cycle. Moreover, that 45 per cent came on the back of several years' growth during

the earlier part of the 1980s.

This time, the recovery comes after the property market's worst recession of the early 1990s; even after a 27 per cent increase, mainstream house prices are more than 30 per cent below their long-term trend.

Interest rates rose from 9.5 per cent in June 1988 to 14 per cent by June 1989. Today, mortgage rates are considered high at 8 per cent, and many people have fixed rates at nearer 7 per cent.

In terms of savings and borrowings, the differences are also significant. In the final quarter of 1988, the average UK household savings ratio was negative – people owed more money than they had. Now the ratio is at a historically high level.

This compares with 45 per cent from the first quarter of 1987 to the second quarter of 1988 – the peak of the last cycle. Moreover, that 45 per cent came on the back of several years' growth during

the earlier part of the 1980s.

This time, the recovery comes after the property market's worst recession of the early 1990s; even after a 27 per cent increase, mainstream house prices are more than 30 per cent below their long-term trend.

Interest rates rose from 9.5 per cent in June 1988 to 14 per cent by June 1989. Today, mortgage rates are considered high at 8 per cent, and many people have fixed rates at nearer 7 per cent.

In terms of savings and borrowings, the differences are also significant. In the final quarter of 1988, the average UK household savings ratio was negative – people owed more money than they had. Now the ratio is at a historically high level.

This compares with 45 per cent from the first quarter of 1987 to the second quarter of 1988 – the peak of the last cycle. Moreover, that 45 per cent came on the back of several years' growth during

## SPORT



Encouraging for newcomers: Arthur Ashe, for whom the new stadium in New York is named, returns the ball and goes on to win the US Open in 1988

## US Open

## Get them young and get them on court

Tennis is being given a good shake-up – and not before time, finds John Barrett

**W**ith the \$14m US Open as the backdrop, the United States Tennis Association this week produced an interim report on its initiatives to promote the game of tennis throughout the nation.

Announced at last year's championships and launched in May, the \$50m five-year Plan for Growth, a co-operative effort involving all constituents of the tennis community, was designed to attract 800,000 newcomers to the game and increase the number of regular players by 1m by 2002.

The target for 1993 was 120,000 newcomers, and the latest figures suggest that in the first four months about 100,000 individuals, 65 per cent of them under the age of 18, have responded in 161 markets throughout the country via the three-pronged programme.

The first of these, Free for All, offers 90 minutes of free coaching; the second, USA Tennis 123, provides three weeks of basic instruction and three weeks of supervised play; the third, USA Team Tennis, offers competi-

tive opportunities in a team environment.

It was the realisation that tennis was in a life or death struggle with other sports and leisure pursuits that persuaded the association to act last year. Not before time, according to former champion Billie Jean King, founder of World Team Tennis, the inter-city league sponsored by Dupont and one of the supporters of the initiative.

"I am delighted that after 30 years of total frustration the USTA has made such huge changes," she said. "For the very first time the entire tennis community is on the same page."

"My whole life I've been trying to get people to think of tennis as a team sport because kids want to be on teams, I grew up in the public parks and around team sports like softball. Most people of colour play team sports, whether they are Hispanic, Blacks, African Americans – they like to play soccer, basketball, all these other sports."

"Arthur Ashe and I used to talk about this for ever and ever. We must make children comfortable... it

doesn't matter what they wear, what shoes they have on. If we make it fun, we'll get them... tennis must be hospitable."

This assault on the grass roots of the game, with particular emphasis on minority groups, is something all nations are addressing.

"I [want] people to think of tennis as a team sport because kids want to be on teams'

including the Lawn Tennis Association in Britain, in an effort to rid the game of its middle-class image.

Worldwide, it is fully supported by the leading professionals who realise that without a strong playing base, spectator support for tournaments will wither. At all tournaments on the ATP Tour, the men commit time to their Stars programme,

to reduce the seating capacity from 19,000 to 9,500.

So far the Arthur Ashe Stadium has never been filled, perhaps because the steep view from the topmost rows makes it impossible to judge how high the ball is bouncing. Watching a practice game from the heights last year, Andre Agassi said:

"I couldn't tell which was Chang [5ft 8in] and which was Rosset [6ft 7in]."

"Biggest is not always best."

The optimum capacity for a tennis stadium that offers perfect viewing angles from all seats is about 15,000–16,000, the size of the old Forest Hills Stadium where, coincidentally, the late Arthur Ashe won the first US Open in 1968.

That trend is not being observed this week at the US Open, where attendances for the first three day-time sessions were all down on the 1992 figures.

Those spectators who did

make the journey to Flushing Meadow were greeted by a new skyline. The vast Arthur Ashe Stadium with its 34,000 seats, which

opened last year, is no longer challenged by the Louis

Armstrong Stadium, whose

top layer has been lopped off

to raise the seating capacity from 19,000 to 9,500.

So far the Arthur Ashe Stadium has never been filled, perhaps because the steep view from the topmost rows makes it impossible to judge how high the ball is bouncing. Watching a practice game from the heights last year, Andre Agassi said:

"I couldn't tell which was Chang [5ft 8in] and which was Rosset [6ft 7in]."

"Biggest is not always best."

The optimum capacity for a tennis stadium that offers perfect viewing angles from all seats is about 15,000–16,000, the size of the old Forest Hills Stadium where, coincidentally, the late Arthur Ashe won the first US Open in 1968.

That trend is not being observed this week at the US Open, where attendances for the first three day-time sessions were all down on the 1992 figures.

Those spectators who did

make the journey to Flushing Meadow were greeted by a new skyline. The vast Arthur Ashe Stadium with its 34,000 seats, which

opened last year, is no longer challenged by the Louis

Armstrong Stadium, whose

top layer has been lopped off

to raise the seating capacity from 19,000 to 9,500.

So far the Arthur Ashe Stadium has never been filled, perhaps because the steep view from the topmost rows makes it impossible to judge how high the ball is bouncing. Watching a practice game from the heights last year, Andre Agassi said:

"I couldn't tell which was Chang [5ft 8in] and which was Rosset [6ft 7in]."

"Biggest is not always best."

The optimum capacity for a tennis stadium that offers perfect viewing angles from all seats is about 15,000–16,000, the size of the old Forest Hills Stadium where, coincidentally, the late Arthur Ashe won the first US Open in 1968.

That trend is not being observed this week at the US Open, where attendances for the first three day-time sessions were all down on the 1992 figures.

Those spectators who did

make the journey to Flushing Meadow were greeted by a new skyline. The vast Arthur Ashe Stadium with its 34,000 seats, which

opened last year, is no longer challenged by the Louis

Armstrong Stadium, whose

top layer has been lopped off

to raise the seating capacity from 19,000 to 9,500.

So far the Arthur Ashe Stadium has never been filled, perhaps because the steep view from the topmost rows makes it impossible to judge how high the ball is bouncing. Watching a practice game from the heights last year, Andre Agassi said:

"I couldn't tell which was Chang [5ft 8in] and which was Rosset [6ft 7in]."

"Biggest is not always best."

The optimum capacity for a tennis stadium that offers perfect viewing angles from all seats is about 15,000–16,000, the size of the old Forest Hills Stadium where, coincidentally, the late Arthur Ashe won the first US Open in 1968.

That trend is not being observed this week at the US Open, where attendances for the first three day-time sessions were all down on the 1992 figures.

Those spectators who did

make the journey to Flushing Meadow were greeted by a new skyline. The vast Arthur Ashe Stadium with its 34,000 seats, which

opened last year, is no longer challenged by the Louis

Armstrong Stadium, whose

top layer has been lopped off

to raise the seating capacity from 19,000 to 9,500.

So far the Arthur Ashe Stadium has never been filled, perhaps because the steep view from the topmost rows makes it impossible to judge how high the ball is bouncing. Watching a practice game from the heights last year, Andre Agassi said:

"I couldn't tell which was Chang [5ft 8in] and which was Rosset [6ft 7in]."

"Biggest is not always best."

The optimum capacity for a tennis stadium that offers perfect viewing angles from all seats is about 15,000–16,000, the size of the old Forest Hills Stadium where, coincidentally, the late Arthur Ashe won the first US Open in 1968.

That trend is not being observed this week at the US Open, where attendances for the first three day-time sessions were all down on the 1992 figures.

Those spectators who did

make the journey to Flushing Meadow were greeted by a new skyline. The vast Arthur Ashe Stadium with its 34,000 seats, which

opened last year, is no longer challenged by the Louis

Armstrong Stadium, whose

top layer has been lopped off

to raise the seating capacity from 19,000 to 9,500.

So far the Arthur Ashe Stadium has never been filled, perhaps because the steep view from the topmost rows makes it impossible to judge how high the ball is bouncing. Watching a practice game from the heights last year, Andre Agassi said:

"I couldn't tell which was Chang [5ft 8in] and which was Rosset [6ft 7in]."

"Biggest is not always best."

The optimum capacity for a tennis stadium that offers perfect viewing angles from all seats is about 15,000–16,000, the size of the old Forest Hills Stadium where, coincidentally, the late Arthur Ashe won the first US Open in 1968.

That trend is not being observed this week at the US Open, where attendances for the first three day-time sessions were all down on the 1992 figures.

Those spectators who did

make the journey to Flushing Meadow were greeted by a new skyline. The vast Arthur Ashe Stadium with its 34,000 seats, which

opened last year, is no longer challenged by the Louis

Armstrong Stadium, whose

top layer has been lopped off

to raise the seating capacity from 19,000 to 9,500.

So far the Arthur Ashe Stadium has never been filled, perhaps because the steep view from the topmost rows makes it impossible to judge how high the ball is bouncing. Watching a practice game from the heights last year, Andre Agassi said:

"I couldn't tell which was Chang [5ft 8in] and which was Rosset [6ft 7in]."

"Biggest is not always best."

The optimum capacity for a tennis stadium that offers perfect viewing angles from all seats is about 15,000–16,000, the size of the old Forest Hills Stadium where, coincidentally, the late Arthur Ashe won the first US Open in 1968.

That trend is not being observed this week at the US Open, where attendances for the first three day-time sessions were all down on the 1992 figures.

Those spectators who did

make the journey to Flushing Meadow were greeted by a new skyline. The vast Arthur Ashe Stadium with its 34,000 seats, which

opened last year, is no longer challenged by the Louis

Armstrong Stadium, whose

top layer has been lopped off

to raise the seating capacity from 19,000 to 9,500.

So far the Arthur Ashe Stadium has never been filled, perhaps because the steep view from the topmost rows makes it impossible to judge how high the ball is bouncing. Watching a practice game from the heights last year, Andre Agassi said:

"I couldn't tell which was Chang [5ft 8in] and which was Rosset [6ft 7in]."

"Biggest is not always best."

The optimum capacity for a tennis stadium that offers perfect viewing angles from all seats is about 15,000–16,000, the size of the old Forest Hills Stadium where, coincidentally, the late Arthur Ashe won the first US Open in 1968.

That trend is not being observed this week at the US Open, where attendances for the first three day-time sessions were all down on the 1992 figures.

Those spectators who did

make the journey to Flushing Meadow were greeted by a new skyline. The vast Arthur Ashe Stadium with its 34,000 seats, which

opened last year, is no longer challenged by the Louis

Armstrong Stadium, whose

top layer has been lopped off

to raise the seating capacity from 19,000 to 9,500.

So far the Arthur Ashe Stadium has never been filled, perhaps because the steep view from the topmost rows makes it impossible to judge how high the ball is bouncing. Watching a practice game from the heights last year, Andre Agassi said:

"I couldn't tell which was Chang [5ft 8in] and which was Rosset [6ft 7in]."

"Biggest is not always best."

The optimum capacity for a tennis stadium that offers perfect viewing angles from all seats is about 15,000–16,000, the size of the old Forest Hills Stadium where, coincidentally, the late Arthur Ashe won the first US Open in 1968.

That trend is not being observed this week at the US Open, where attendances for the first three day-time sessions were all down on the 1992 figures.

Those spectators who did

make the journey to Flushing Meadow were greeted by a new skyline. The vast Arthur Ashe Stadium with its 34,000 seats, which

opened last year, is no longer challenged by the Louis

Armstrong Stadium, whose

top layer has been lopped off

to raise the seating capacity from 19,000 to 9,500.

So far the Arthur Ashe Stadium has never been filled, perhaps because the steep view from the topmost rows makes it impossible to judge how high the ball is bouncing. Watching a practice game from the heights last year, Andre Agassi said:

"I couldn't tell which was Chang [5ft 8in] and which was Rosset [6ft 7in]."

"Biggest is not always best."

The optimum capacity for a tennis stadium that offers perfect viewing angles from all seats is about 15,000–16,000, the size of the old Forest Hills Stadium where, coincidentally, the late Arthur Ashe won the first US Open in 1968.

That trend is not being observed this week at the US Open, where attendances for the first three day-time sessions were all down on the 1992 figures.

Those spectators who did

make the journey to Flushing Meadow were greeted by a new skyline. The vast Arthur Ashe Stadium with its 34,000 seats, which

opened last year, is no longer challenged by the Louis

Armstrong Stadium, whose

## What's on around the world

### ■ AMSTERDAM

#### CONCERT

Concertgebouw  
Tel: 31-20-675 4411

Los Angeles Philharmonic: conducted by Esa-Pekka Salonen in works by Adams, Mahler and Sibelius. With mezzo-soprano Lorraine Hunt; Sep 8

#### EXHIBITION

Rijksmuseum  
Tel: 31-20-573 2121

Bellange: An Unconventional Etcher. Brings together etchings and drawings by the 17th century Alsace artist, who was painter at the court of the Duke of Lorraine in Nancy from 1602 until his death in 1616; to Oct 16

#### OPERA

Netherlands Opera, Het

Muziektheater  
Tel: 31-20-657 8911

Götterdämmerung: by Wagner. New staging by Pierre Audi, conducted by Hartmut Haenchen. Cast includes Heinz Kruse, Jeannine Altmeyer and Henk Smits; Sep 8

### ■ ATLANTA

#### EXHIBITION

High Museum of Art  
Tel: 1-404-733 4444

Self-Taught Artists of the 20th Century: An American Anthology. 300 works by more than 30 artists, all of them without formal training. Includes paintings, sculpture and installations by artists ranging from Grandma Moses (1860-1961) to Ken Grimes (b.1947); to Sep 20

### ■ BADE-BADEN

#### CONCERTS

Festspielhaus

Chicago Symphony Orchestra: conducted by Daniel Barenboim in works by Schoenberg and Mahler; Sep 9

### ■ BEIJING

#### OPERA

The Forbidden City

[www.turandot-on-site.com](http://www.turandot-on-site.com)

Turandot: by Puccini. Conducted by Zubin Mehta in a staging by Zhang Yimou. With the Maggio Musicale Florentino; Sep 5, 6, 7, 8, 9, 10, 11

### ■ BIRMINGHAM

#### CONCERTS

Symphony Hall

Tel: 44-121-212 3333

Chicago Symphony Orchestra: conducted by Daniel Barenboim in works by Strauss, Berg and Tchaikovsky; Sep 5

Czech Philharmonic: in a programme of works by Janácek, Beethoven and Dvorák; Sep 9

### ■ BONN

#### EXHIBITION

Kunst- und Ausstellungshalle der

Bundesrepublik Deutschland

Tel: 49-228-917 1200

[www.kah-bonn.de](http://www.kah-bonn.de)

Great Collections: the latest in this series of exhibitions is devoted to the Musée du Petit Palais in Paris. Concentrating on the museum's holdings of 19th century French art, the show comprises nearly 200 works and ranges across painting, drawing and sculpture. Includes works by Ingres, Delacroix and the Impressionists; to Sep 27

### ■ BRUSSELS

#### CONCERTS

Palais des Beaux-Arts

Chicago Symphony Orchestra: conducted by Daniel Barenboim in works by Berg and Mahler; Sep 7

Chicago Symphony Orchestra: conducted by Daniel Barenboim in works by Wagner, Schoenberg and Tchaikovsky; Sep 8

### ■ BUDAPEST

#### EXHIBITIONS

Hungarian National Gallery, Buda

Castle

Tel: 36-1-375 7533

József Rippl-Rónai: retrospective of the Hungarian post-impressionist, comprising 250 works. Includes decorative art objects and personal photographs and letters as well as paintings loaned by private collectors and museums; to Sep 6, then transferring to Saint-Germain-en-Laye near Paris

#### Museum of Applied Arts

Tel: 36-1-217 5222

Zsolnay: Art Nouveau Ceramics. Display of 200 objects made between 1897 and 1918 at the family-owned Zsolnay factory in Pécs. Includes goblets, vases and other objects; to Sep 27

### ■ CHICAGO

#### EXHIBITION

Art Institute Of Chicago

Tel: 1-312-443 3800

[www.artic.edu](http://www.artic.edu)

Japan 2000: Design for the Japanese Public. Includes watches and bicycles; Kishi Kurokawa, Gallery; to Sep 7

### ■ COLOGNE

#### CONCERT

Philharmonie

Los Angeles Philharmonic: conducted by Esa-Pekka Salonen in works by Sibelius, Salonen and Stravinsky; Sep 10

### ■ DUSSELDORF

#### CONCERTS

Tonhalle

Los Angeles Philharmonic: conducted



Zhang Yimou's staging of Puccini's 'Turandot', seen last year in Florence, opens tonight at the Forbidden City in Beijing

by Esa-Pekka Salonen in works by Copland, Sibelius and Stravinsky; Sep 9

### ■ EDINBURGH

#### EXHIBITIONS

National Gallery of Scotland

Tel: 44-131-624 6200

Elegies and Ecstasies: Roman Baroque Sculpture and Design in the Age of Bernini; to Sep 20

#### Royal Museum

Tel: 44-131-225 7534

Chinese Lacquer: 48 objects selected from the museum's lacquerware collection, the oldest of which is more than 2,000 years old. Highlights include an eared cup from the Han dynasty and two 18th century Qing thrones; to Mar 28

#### Scottish National Gallery of Modern Art

Tel: 44-131-624 6200

The Winter Queen: The Life of Elizabeth of Bohemia. Includes around 50 paintings, plus a selection of engravings and medals; to Oct 4

#### OPERA

Edinburgh International Festival

Tel: 44-131-473 2000

Dalibor: by Smetana. New Scottish Opera production by David Pountney. With sets by Ralph Koital and costumes by Sue Williamson. The conductor is Richard Armstrong; Edinburgh Festival Theatre; Sep 5

#### THEATRE

Edinburgh International Festival

Tel: 44-131-473 2000

www.go.edinburgh.co.uk

More Stately Mansions: by Eugene O'Neill. Adapted by Kari Ragnar Glorow from O'Neill's unfinished manuscript, *Ivan Hovis*. Directs by David Pountney. With soprano Barbara Bonney; Sep 5

Phèdre: by Racine. New Théâtre Vidy-Lausanne production, directed by Luc Bondy; King's Theatre; Sep 5

### ■ FORT WORTH

#### EXHIBITION

Kimbell Art Museum

Tel: 1-817-3328451

Modemism – The Art of Design 1880-1940: wideranging display of works from the Northwest collection. Examples range from the British Arts and Crafts movement and Art Nouveau through the Bauhaus and Art Deco to the 1930s; to Sep 13

### ■ FRANKFURT

#### CONCERTS

Alte Oper

Tel: 49-69-134 0400

Radio Symphony Orchestra Frankfurt: conducted by Leonard Slatkin in works by Erte, Barber and Schumann. With soprano Linda Hohenfels; Sep 10, 11

#### OPERA

Oper Frankfurt

Tel: 49-69-21237 999

La Traviata: by Verdi. In a staging by Axel Corti; Sep 8, 11

### ■ LAUSANNE

#### EXHIBITION

Musée Cantonal des Beaux-Arts

Tel: 41-21-312 8332

The Collection of Dr Henri-Auguste Widmer: In 30 years, Widmer collected more than 600 works of art. This display, designed to pay tribute to one of the museum's most generous donors, includes works by Soudin, Dubigny, Chintreuil and Rousseau. The exhibition also includes sculptures and a selection of antiquities; to Nov 8

### ■ LONDON

#### CONCERTS

BBC Proms, Royal Albert Hall

Concerts: by Los Angeles Philharmonic; conducted by Esa-Pekka Salonen in works by Sibelius, Salonen and Stravinsky; to Oct 18

Concerts: by Los Angeles Philharmonic; conducted by Esa-Pekka Salonen in works by Sibelius, Salonen and Stravinsky; to Oct 18

## INTERNATIONAL ARTS GUIDE

Up to 150

100 paintings; landscapes, still lifes, a series of nudes; several self-portraits; to Oct 1

Love Forever – Yayoi Kusama, 1958-1968: display of works by the Japanese artist (b.1929), who came to prominence in the late 1950s, while living and working in New York, with a series of large-scale monochromatic paintings called Infinity Nets. Following her return to Japan in the early 1970s Kusama was largely forgotten in the US. This display includes installations and film as well as paintings, sculptures, photographs and collages; to Sep 22

Tony Smith (1912-1980): Architect, Painter, Sculptor. Includes some 50 paintings and 50 drawings, as well as plans, sketches, photographs and models of architectural projects. 25 large-scale steel sculptures are on display in the Sculpture Garden, while a temporary exhibition of monumental works is installed at selected public sites in Manhattan, in collaboration with the Public Arts Fund; to Sep 22

Mark Rothko (1898-1968): centenary celebration of the Spanish poet. Includes biographical material and examples of the different forms in which Lorca worked – including theatre, music and the visual arts – with friends and collaborators including Falla, Dalí and Buñuel; to Sep 21

Paul Klee (1879-1940): retrospective comprising over 100 works, including private and public loans; to Oct 12

100 paintings; landscapes, still lifes, a series of nudes; several self-portraits; to Oct 1

Love Forever – Yayoi Kusama, 1958-1968: display of works by the Japanese artist (b.1929), who came to prominence in the late 1950s, while living and working in New York, with a series of large-scale monochromatic paintings called Infinity Nets. Following her return to Japan in the early 1970s Kusama was largely forgotten in the US. This display includes installations and film as well as paintings, sculptures, photographs and collages; to Sep 22

Tony Smith (1912-1980): Architect, Painter, Sculptor. Includes some 50 paintings and 50 drawings, as well as plans, sketches, photographs and models of architectural projects. 25 large-scale steel sculptures are on display in the Sculpture Garden, while a temporary exhibition of monumental works is installed at selected public sites in Manhattan, in collaboration with the Public Arts Fund; to Sep 22

Mark Rothko (1898-1968): centenary celebration of the Spanish poet. Includes biographical material and examples of the different forms in which Lorca worked – including theatre, music and the visual arts – with friends and collaborators including Falla, Dalí and Buñuel; to Sep 21

Paul Klee (1879-1940): retrospective comprising over 100 works, including private and public loans; to Oct 12

100 paintings; landscapes, still lifes, a series of nudes; several self-portraits; to Oct 1

Love Forever – Yayoi Kusama, 1958-1968: display of works by the Japanese artist (b.1929), who came to prominence in the late 1950s, while living and working in New York, with a series of large-scale monochromatic paintings called Infinity Nets. Following her return to Japan in the early 1970s Kusama was largely forgotten in the US. This display includes installations and film as well as paintings, sculptures, photographs and collages; to Sep 22

Tony Smith (1912-1980): Architect, Painter, Sculptor. Includes some 50 paintings and 50 drawings, as well as plans, sketches, photographs and models of architectural projects. 25 large-scale steel sculptures are on display in the Sculpture Garden, while a temporary exhibition of monumental works is installed at selected public sites in Manhattan, in collaboration with the Public Arts Fund; to Sep 22

Mark Rothko (1898-1968): centenary celebration of the Spanish poet. Includes biographical material and examples of the different forms in which Lorca worked – including theatre, music and the visual arts – with friends and collaborators including Falla, Dalí and Buñuel; to Sep 21

Paul Klee (1879-1940): retrospective comprising over 100 works, including private and public loans; to Oct 12

100 paintings; landscapes, still lifes, a series of nudes; several self-portraits; to Oct 1

# Weekend Investor

Wall Street

## It's a turn for the worse, stupid

Richard Waters wonders where to find a refuge in these troubled times

In the end, it's all about profits. That was the message this week from Peter Lynch, the legendary mutual fund manager who helped turn Fidelity into a giant. And if that is the case, then the nasty turn taken by US stock prices suggests that American investors are beginning to get a very bad feeling about what is going to happen to corporate earnings.

Wall Street may have summed up enough enthusiasm for a half-hearted rally on Tuesday, but there was no mistaking the overall direction: down. By early yesterday afternoon, the Dow Jones Industrial Average looked to be heading for a loss of about 5 per cent for the week. It lost about the same the week before.

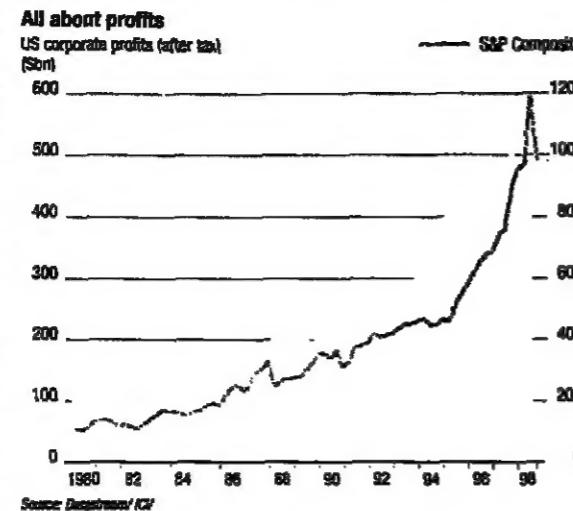
Further sickening lurches, such as the 5.4 per cent drop on Monday, could be in store as investors continue to reconsider their once rosy view of future profits – something that Alan Greenspan, the cautious Fed chairman, has been urging them to do.

According to Lynch, share prices have gone up 54-fold since the end of the second world war, while earnings have gone up 80-fold. Share prices may rise faster than earnings over extended periods – as they have in the past three years – but, sooner or later, the two move back into equilibrium.

Earnings have certainly risen strongly in the 1990s, providing one of the main sources of fuel for the bull market. According to First Call, a company which tracks corporate profits, earnings have climbed at an average rate of 7 per cent a year over the past three decades: since 1991, though, they have far eclipsed that.

Things have now taken a turn for the worse. The Asian slump last year helped bring earnings growth for US companies in the first half of 1997 almost to a halt. Then the stock market consoled itself with the thought that profits would bounce back again in the second half of this year.

Suddenly, Wall Street does not seem so sure. Russia has little direct impact on Corporate America, but the shocking financial collapse in Russia last month touched off a wave of concern that the



next dominoes to fall would be in Latin America – a region that matters far more to American profits. About 21 per cent of US exports go there – more than the 14 per cent that go to Asia.

And as more emerging markets stumble, the developed economies of the US and Western Europe may find it increasingly difficult to avoid a recession.

This is the real concern that lies behind Wall Street's unease. A month ago, the word "recession" was seldom heard: US economists now talk of it as a serious possibility. US companies generate 70 per cent of their profits at home, and another 17 per cent in Western Europe. The safety of these profit havens may be in jeopardy.

The impact can be seen most clearly in the share prices of companies that rely on the emerging world for their profits, and in those which are particularly sensitive to a domestic downturn. The former camp includes Coca Cola and Citicorp. The soft drink maker and the banking group attracted a substantial following on the belief that their powerful brand names and extensive presence in the emerging world would translate into fast growth. Coca Cola is now down 30 per cent from its peak, while Citicorp has tumbled nearly 50 per cent.

The latter group includes domestic banks, whose earnings would be vulnerable to credit losses in a recession. The share prices of banks as a whole have fallen by a third since July.

What refuge is there in

such troubled times? Those companies whose earnings have been insulated from the harsh economic winds, perhaps – or whose share prices already reflect little expectation of rising profits.

That might include local telephone companies and electric utilities, demand for whose services remains fairly constant, whatever the economic conditions. Automobile companies, on the other hand, would suffer in a downturn – but their share prices seem to reflect much of that concern already and so may have less far to fall.

And what about the companies that never had any profits to lose in the first place? Internet stocks were the wonders of this spring and early summer, lifted by the enthusiasm for the new medium – even though most of them had never earned a profit. The delation that has hit the stock market has certainly let the air out of the tyres of some of these companies.

However, the "blue chips" of the internet industry, companies like America Online and Amazon.com, have held up pretty well. Yahoo may have fallen nearly 30 per cent from the peak – but if you had bought the shares this time last year, you would still have more than trebled your investment.

The former camp includes Coca Cola and Citicorp. The soft drink maker and the banking group attracted a substantial following on the belief that their powerful brand names and extensive presence in the emerging world would translate into fast growth. Coca Cola is now down 30 per cent from its peak, while Citicorp has tumbled nearly 50 per cent.

The latter group includes domestic banks, whose earnings would be vulnerable to credit losses in a recession.

The share prices of banks as a whole have fallen by a third since July.

What refuge is there in

## London The minnows are drowning

But Philip Coggan dredges up hope for tiddlers

*They were small and could not hope for help and no help came.*

**W** Hauden was not renowned as a stock market investor, but he could easily have been describing the plight of the UK smaller company. After the share price rally at the end of the early 1990s recession, each successive revival has petered out.

Once again, during the 1998 bear market, smaller stocks are about as popular as a bouquet of flowers at a gay funeral convention.

While the daily movements in the blue chip FTSE 100 index have seized the headlines, smaller stocks have received a fearful battering. By Thursday night, the FTSE SmallCap index had fallen 26 per cent from its May 26 peak.

It has been virtually

impossible for small cap investors to find a safe haven. Since the index peak on May 26, only 21 of the SmallCap's 500 or so constituents have actually risen in price. About 350 have fallen by more than 20 per cent; 200 have suffered a 30 per cent plus decline.

Bill Mott, head of UK equities at Credit Suisse, says: "What really caused the turnaround in smaller stocks was the sudden rise in interest rates in June. It is generally perceived that smaller companies are more sensitive to interest rates than their larger brethren. Since that fall, the situation has been compounded by fears of deflationary pressures from south east Asia, Japan and Russia. What we thought was a short term setback has been turned into a general rout."

Economists have been reducing their UK growth forecasts for 1998, and that has clouded the outlook for



Help: but small companies have got the boot many times

Investors haven't wanted to get involved with smaller stocks. There has been a virtual buyers strike and marginal selling has had a big effect on prices," says Mott. Fund management group Gartmore says it has sold 5-10 per cent of its smaller company holdings over the last three months.

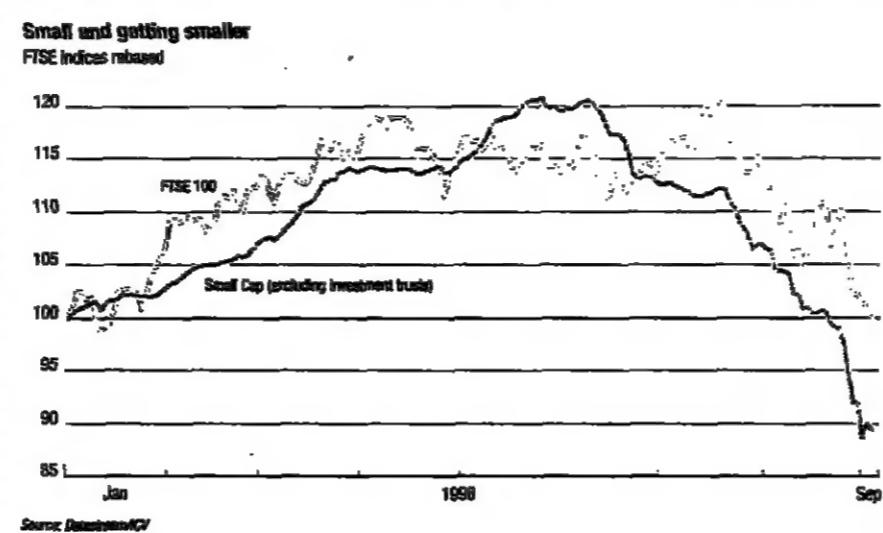
But the big fall in share prices has created opportunities. Predators are now pouncing the sector in search of bargains: yesterday TLG (the former Thorn Lighting Group) received a bid from Coopers Industries and David Brown, the engineering group, accepted an offer from Textron. Both the bidding groups are from the US.

Meanwhile, UFF, a vehicle chassis maker, agreed to be taken over by Hartrade, the venture capital group, in a sign that venture capitalists now believe the market is undervaluing smaller stocks. A steady stream of takeovers and buy-outs could help put a floor under smaller company share prices.

At the same time, many smaller company directors have been showing their confidence in their prospects, and their surprise at depressed share prices, by buying stock in the market. On Wednesday, for example, directors of Roxspur, Hickson International and Paragon were all reported to be buying.

A recent Merrill Lynch survey found that there are more than six directors buying for every one selling, the highest ratio recorded since the data started to be compiled in 1993.

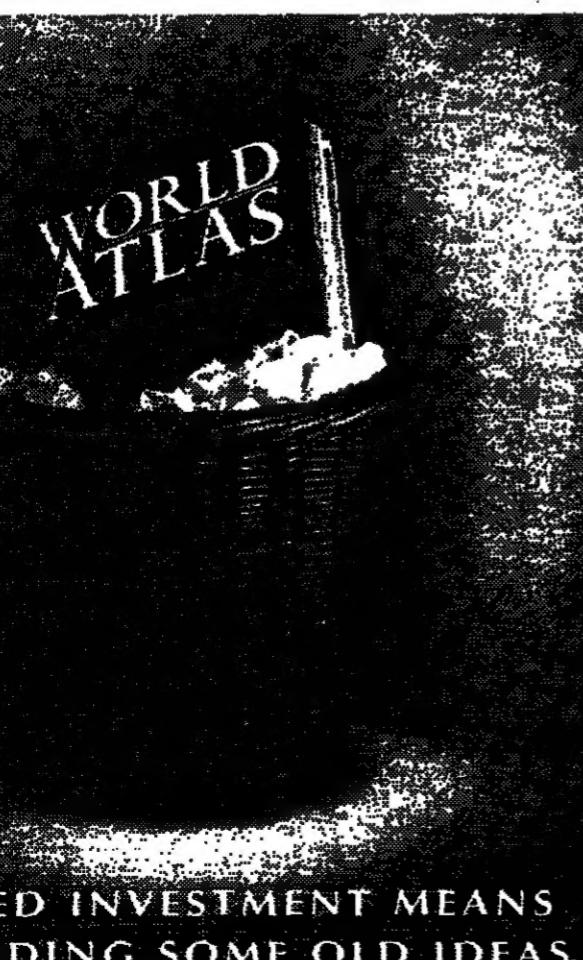
philip.coggan@FT.com



### ■ Highlights of the week

|                  | Price<br>y/day | Change<br>in week | 52 week<br>High | 52 week<br>Low |                                 |
|------------------|----------------|-------------------|-----------------|----------------|---------------------------------|
| FTSE 100 Index   | 5167.0         | +2.4              | 5178.0          | 4711.0         | Global market turmoil           |
| ASDA             | 108            | +18               | 227%            | 128            | Move to retail defensive stocks |
| Barclays         | 1230           | -165              | 1898            | 1068           | Russian losses                  |
| Billiton         | 122            | +19               | 240%            | 954            | Hopes of strong results         |
| Bryant           | 17             | +5                | 165%            | 76%            | Sector in favour                |
| Capita Group     | 405%           | -97               | 628             | 254%           | Fears of economic downturn      |
| Card Eng         | 119            | -14%              | 222%            | 43%            | Warning                         |
| Carls Securities | 288            | +61               | 119%            | 80%            | Broker comment                  |
| Logica           | 1500           | -262%             | 2312%           | 802            | Highly-valued IT sector falls   |
| Orange           | 673%           | -185%             | 820             | 203%           | Fears of big state sale         |
| Paragon          | 157%           | +18               | 259%            | 138%           | Good results                    |
| Reed Int         | 404            | +34               | 730             | 430            | Hopes of strong growth          |
| Rubicon          | 227%           | +67%              | 246%            | 105            | BDI                             |
| Schroders        | 1200           | -210              | 222%            | 913%           | Asian fears                     |
| Shell Transport  | 361%           | +45%              | 409%            | 312            | European link with Texaco       |

THEMED INVESTMENT MEANS DISCARDING SOME OLD IDEAS.



Sarasin are recognised as one of the UK pioneers of themed investment. Our EquiSar Fund is proof of the success of this radically different approach. It has delivered top quartile performance in

its sector over one year and since its launch in August 1996\*. For more information about Sarasin and themed investment, please write to us or call Christopher Pease on +44 171 246 0390.

**SARASIN**  
Global Thematic Managers

Source: Standard & Poor's, Macrae's, as at 24/08/98, return of -16.2%, after charges of 0.7% for the Europe FTSE All World Index, +10.7% for the STIC. Offer to sell, prior to the removal of certain interests in global equity sector. Past performance is not a guide to the future. The price of units may go down as well as up and as a result the investor may not get back the amount originally invested. The level of income from the investment may fluctuate in value. Current movements may also affect the value of the investment. The Fund is subject to an initial charge of up to 5%. This advertisement has been approved by Curzon Investment Management Ltd, Sarasin House, 37-39 St. Andrew's Hill, London EC4V 9DD, a company registered by the FSA.

Barry Riley

## Porridge for the bears

A payoff is coming for a long series of distortions

**H**ow bad will it be? We can scarcely have been surprised, so far, by the correction suffered by the obviously overpriced western stock markets.

We could still be shocked, however, by the eventual size of the fall. The German market has already slumped by 22 per cent in about six weeks.

The Goldilocks scenario was wonderful while it lasted, but it was always deeply flawed as the basis for long run stock market gains.

It relied upon the suppression of inflation in the developed countries through the competitive impact of cheap manufactured imports and the weakness of commodity prices (especially that of oil).

These imports were bound to undermine corporate profits in important sectors, which is why stock market leadership, towards the end of the bull run, was narrowly focused in certain technological and financial sectors which for a while seemed immune.

As for raw material prices, their weakness has inevitably undermined the finances of many developing countries, and the travails of Russia, Venezuela, Brunei and many other states have quickly weakened the international financial system.

Share prices have drifted a long way from underlying fair value. This is hard to pin down, but it is clear from the charts that the angle of advance of the Dow Jones Industrial Average

steepened sharply from 1995 onwards. If the Dow falls back to the pre-1995 trend (in a scaled-up re-run of what happened after the 1987 crash) we could be talking about 4,800 rather than the current 7,800, let alone the mid-July peak of over 9,300.

The UK market did not rise quite so aggressively, but a similar fall-back to the long-term trend could imply 4,000 against 5,200 now and the high of 6,179.

If you listen to the news bulletins you may get the

### The Goldilocks scenario was wonderful while it lasted but it was always deeply flawed

on July 20. And, of course, the eventual absolute bottom is likely to be below any trend line.

Is this too scary? Not

according to the stock market historian David Schwartz (see page 2) who says that bigger UK bull markets (there was a 110 per cent advance by the FTSE 100 Index between 1994 and 1998) have been followed by bear markets which have averaged 32 per cent, if you exclude the worst slumps as for various reasons exceptional.

This is not exactly a prediction, but there are strong historical precedents for a fall to perhaps 4,200.

Mean daily volatility is high. Large daily fluctuations in the indices, with falls or rises of as much as 3 per cent on the UK and even 6 per cent on Wall Street, have been characteristic of market tops, when there is such a big gap between the trend-chasers and the

value-seekers. But there is not yet despair. Some investors are still showing profits in this calendar year, and the bulls comfort themselves that, so far, the US and European economies still look reasonably strong, even though worldwide growth forecasts have been slashed from 4 to 2 per cent so far in 1998. But the problems are coming closer.

If you listen to the news bulletins you may get the

impression that this summer's slump is somehow all Russia's fault, but the underlying problem is a contraction in global liquidity. Bull markets feed off a tidal wave of credit, which cascaded into the financial markets until the early part of this year. Hedge funds and bank proprietary trading operations mushroomed in size, leveraged through the derivatives markets and techniques such as the "yen carry" trade whereby Japanese currency was borrowed at minuscule interest rates and invested in high-yielding assets outside Japan, including Russian debt.

When the markets are going up this dangerous expansion of speculative credit proves amazingly profitable for all concerned. Practitioners believe themselves to be tremendously clever, and they grab the huge profit shares and bonuses which

support that self-regard. Lending banks boast of their brilliant combination of low risks and widening margins. But serious distortions can result, and not just in the stock markets: as recently as July emerging market government bonds yielding under 6 per cent more than US Treasuries were regarded as reasonably priced.

Now, though, such bonds yield 12.5 per cent over Treasuries, according to the relevant J.P. Morgan index.

Risk has been repriced and credit providers are slamming down the hatches. Margin calls are forcing the speculators to sell. The massive repayment of those yen loans may partly explain the mysterious strength of the Japanese currency, although this may also signal the start of a dollar problem if US interest rates are seen to be about to fall, and if foreigners begin to dump their Wall Street stocks on a large scale.

The unravelling has just begun. It would be nice to think that we will suffer no more than a quick correction, but the payoff is coming for a long series of financial distortions, including the Japanese bust, which after eight years is still largely unresolved, the debt-financed Asian boom and the consumption-led unbalancing of the US economy.

Never mind, one day reasonably soon, lower down, we will be able to invest with confidence again in the stock markets. But we had better not do so using borrowed yen.

For an interactive guide to personal finance, visit <http://www.FTQuicken.co.uk>

## WEEKEND INVESTOR

## ■ Directors' share dealings

Transactions in cap companies 24th-28th August 1998

Company Sector Shares £Value No of directors

| Company              | Sector | Shares    | Value £'000 | No of directors |
|----------------------|--------|-----------|-------------|-----------------|
| <b>SALES</b>         |        |           |             |                 |
| Lloyds Bank          | Brks   | 2,000     | 16          | 1               |
| Milner Estates       | Prop   | 29,300    | 78          | 1               |
| Jersey Phoenix Tst   | Uncl   | 63        | 1           |                 |
| <b>PURCHASES</b>     |        |           |             |                 |
| Greene King          | Brew   | 10,000    | 54          | 2               |
| Houston              | BMAM   | 20,000    | 20          | 1               |
| Pillington           | BMAM   | 100,000   | 79          | 1               |
| Staveley Industries  | Dm     | 20,000    | 19          | 1               |
| Severnfield          | Eng    | 10,000    | 25          | 2               |
| Tech plc             | EngV   | 134,783   | 31          | 5               |
| Lonrho               | Eng    | 100,000   | 222         | 1               |
| CGU                  | Ins    | 2,000     | 19          | 1               |
| Baileys              | LHs    | 20,000    | 25          | 1               |
| Stalos               | LHs    | 40,715    | 38          | 3               |
| Vardon               | LHs    | 50,000    | 75          | 1               |
| West Bromwich Albion | LHs    | 680       | 54          | 1               |
| Ambient Media Corp   | Mols   | 60,000    | 43          | 1               |
| Liberfabrics         | PP&P   | 148,596   | 26          | 3               |
| Hamra Countrywide    | Prop   | 280,000   | 258         | 1               |
| Seville Gordon       | Prop   | 50,000    | 27          | 1               |
| Allied Carpets Grp   | Retd3  | 197,413   | 92          | 2               |
| Brown & Jackson      | Retd3  | 40,000    | 30          | 1               |
| Corporate Services   | Ssar   | 25,000    | 45          | 1               |
| Hogg Robinson        | Ssar   | 10,000    | 22          | 2               |
| British Airways      | Trns   | 30,000    | 151         | 1               |
| Hanson               | Trns   | 1,000,000 | 30          | 1               |
| Monetary Dodge       | Trns   | 4,000     | 23          | 1               |

Companies must notify the Stock Exchange within five working days of a share transaction by a director. The list contains all transactions (bought and sold), including exercises of options. (\*) If 100% subsequently sold, with a value over £10,000. Information reproduced by the Stock Exchange. Shares traded are ordinary, unless otherwise stated. (\*\*)

Source: BAFRA, The Inside Track, Edinburgh, 0131-473 7070

## ■ Last week's preliminary results

| Company           | Sector   | Pre-tax profit (£m) | Chg/£m | Dividend   |
|-------------------|----------|---------------------|--------|------------|
| Alcon Recruiters  | SpdV     | 1.74                | 0.013  | 17.7 0.3   |
| Black (Pain)      | Retd May | 17.5                | 17.1   | 19.2 18.96 |
| Black & Decker    | Med      | 3.04                | 2.25   | 2.4 0.61   |
| DAL               | Com      | 10.7                | 7.33   | 12.40      |
| Davidoff          | Ins      | 0.32                | 0.11   | 0.25       |
| Davies            | Ins      | 1.25                | 1.11   | 1.11       |
| Deutsche Börse    | Ins      | 20.1                | 18.5   | 24.6 22.3  |
| Dickens           | Ins      | 2.57                | 1.45   | 2.57       |
| Flextronics       | Ins      | 12.0                | 10.0   | 12.0       |
| Flying Energy     | Ins      | 0.77                | 0.55   | 0.77       |
| Gammare Party     | Ins      | 0.77                | 0.55   | 0.77       |
| Hawkins Safety    | Ins      | 4.78                | 3.25   | 18.3 14.58 |
| HF                | Ins      | 1.28                | 1.05   | 16.1 5.98  |
| Indosat           | Ins      | 5.4                 | 4.95   | 5.25 25.5  |
| Jupiter Petroleum | Ins      | 700                 | 495    | 6.5 0.05   |
| Lam Printing      | SpdV     | 1.09                | 0.81   | 1.11       |
| Magor             | SpdV     | 10.06               | 10.3   | 33.7 33.8  |
| Manson            | Retd May | 27.7                | 25.4   | 10.5 0.22  |
| Photo-Me-It       | SpdV     | 49                  | 10.3   | 13.18 0.36 |
| Preston North End | AMs      | 1.44                | 0.113  | 71.05 0.54 |
| Reuter            | Ins      | 0.67                | 0.24   | 0.1 0.05   |

## ■ Last week's interim results

| Company                 | Sector   | Net profit (£m) | Pre-tax profit (£m) | Dividend  |
|-------------------------|----------|-----------------|---------------------|-----------|
| Abbott                  | QESp     | 5.62            | 7.04                | 1.0 0.08  |
| AM                      | Ins      | 112.5           | 166.1               | -         |
| AMEC                    | Com      | 22.8            | 40.2                | 2.1 1.75  |
| Amey                    | Com      | 7.63            | 6.08                | 4.5 4.0   |
| AMCO                    | AMs      | 0.303           | 0.32                | 2.5 2.5   |
| Ascot                   | Ins      | 14.1            | 13.3                | 3.5 3.0   |
| Antonov                 | AMs      | 1.05            | 0.913               | -         |
| Athene                  | Ins      | 94.9            | 63.8                | -         |
| Avermore Waterford      | PP&P     | 11.0            | 2.74                | 2.25 2.05 |
| Avalon                  | Com      | 1.74            | 1.07                | 0.75 0.5  |
| BCH                     | Trns     | 1.93            | 1.49                | 2.25 -    |
| BCD Techs               | AMs      | 1.75            | 1.47                | -         |
| Bearfoot                | Eng      | 1.44            | 0.303               | - 0.25    |
| Blotex Int'l            | HNC      | 0.3             | 0.007               | -         |
| Bond Int'l Software     | AMs      | 0.384           | 0.173               | -         |
| Boosey & Hawkes         | HSGT     | 1.25            | 1.76                | 2.28 2.17 |
| Braine (IT & JP)        | Eng      | 0.35            | 0.218               | 3.4 2.9   |
| Brandon Hires           | Com      | 0.021           | 0.005               | 1.2 1.1   |
| Brazil                  | PP&P     | 0.23            | 0.24                | 2.5 2.3   |
| Burford                 | Prop     | 11.8            | 7.62                | 1.15 1.05 |
| Caerd                   | SpdV     | 1.31            | 2.05                | 7.5 5.0   |
| Calderstone             | Ins      | 2.57            | 1.33                | 0.7 0.4   |
| Cartax                  | Prop     | 0.17            | 0.443               | -         |
| Catex                   | DPs      | 20.7            | 20.5                | 3.9 3.25  |
| Chorlon                 | AMs      | 0.025           | 0.003               | -         |
| Church                  | Retd     | 1.05            | 1.27                | 3.1 3.5   |
| Churchill China         | HSGT     | 1.02            | 2.97                | 3.0 4.9   |
| Cirkus                  | LHs      | 5.4             | 1.49                | -         |
| Clydeport               | Trns     | 5.08            | 4.18                | 2.0 1.75  |
| Cobb                    | SpdV     | 24.1            | 15.1                | 20 1.3    |
| Coddin                  | Com      | 11              | 5.41                | -         |
| CRH                     | Retd     | 86.25           | 65.21               | 4 3.45    |
| CU Environmental        | Ins      | 15.6            | 14.63               | -         |
| Derby                   | Retd May | 1.3             | 1.2                 | 1.3 1.2   |
| DCS                     | SpdV     | 3.05            | 2.04                | 1.25 1.0  |
| Dolts                   | SpdV     | 2.12            | 2.02                | 2.5 2.4   |
| Dialys                  | Med      | 0.59            | 2.01                | -         |
| Elcros Blinds           | Hng      | 1.44            | 2.39                | 1.32 1.2  |
| Edinburgh Income        | Ins      | 73.7            | 76.2                | 0.9 1.0   |
| Elbos                   | SpdV     | 2.88            | 1.81                | -         |
| Enterprise Oil          | QESp     | 47.6            | 148.3               | 6.9 6.9   |
| Estate & General        | Prop     | 0.004           | 1.13                | 0.5 0.3   |
| Evans Hatchway          | Ins      | 8.12            | 8.11                | 5.5 5.5   |
| Fitz Indmar             | Ins      | 0.005           | 0.012               | 1.2 1.1   |
| Finsky (James)          | PP&P     | 0.69            | 2.57                | 2.0 1.8   |
| Flying Flowers          | Hng      | 2.8             | 2.37                | 2.45 2.45 |
| Friendly Hotels         | LHs      | 0.54            | 1.8                 | 2.2 2.2   |
| Garmore Holdings        | Ins      | 136.71          | 118.5               | 1.0 1.0   |
| Grafton                 | Retd May | 8.12            | 7.71                | 10.5 8.5  |
| Graham                  | Com      | 10.6            | 8.3                 | 2.1 2.0   |
| Guardian IT             | SpdV     | 2.98            | 1.91                | 0.5 -     |
| Hanover                 | PP&P     | 0.108           | 0.003               | 0.6 0.6   |
| Harford                 | AMs      | 0.108           | -                   | -         |
| Hickson Int'l           | Com      | 5.5             | 4.3                 | 0 -       |
| Hightech Hs.            | Retd     | 0.005           | 0.710               | -         |
| Hysen Ind               | Eng      | 0.17            | 0.254               | -         |
| IC                      | Med      | 8.11            | 8.33                | 4.1 3.7   |
| Ilion                   | SpdV     | 1.16            | 1.03                | 1.0 2.0   |
| Johnston Press          | Med      | 24.9            | 18.4                | 1.15 1.0  |
| Jupiter Spill           | Ins      | 376.10          | 320.0               | 3.62 3.62 |
| Kynoch                  | SpdV     | 2.71            | 2.95                | 1.5 -     |
| London Bridge           | SpdV     | 0.165           | -                   | 0.5 -     |
| London Fin & Inv        | PP&P     | 110.52          | 73.2                | 1.0 1.0   |
| M&G Recovery            | Ins      | 7.04            | 10.4                | 1.58 1.55 |
| Mackie                  | PP&P     | 0.27            | -                   | -         |
| Manchester & London     | AMs      | 10.06           | 10.3                | 15.9 15.5 |
| Macro4                  | SpdV     | 2.06            | 1.64                | -         |
| Marchpole               | SpdV     | 2.36            | 4.07                | 0.9 -     |
| Marley                  | Retd     | 26.1            | 24.5                | 2.1 2.1   |
| Marshall                | Retd     | 19.9            | 11.5                | 2.33 1.5  |
| Matakin                 | Retd     | 4.71            | 4.75                | -         |
| Meggit                  | Eng      | 17.7            | 13.8                | 1.62 1.5  |
| MetaTech Int'l          | Eng      | 2.26            | 0.509               | -         |
| Molins                  | Eng      | 13.6            | 7.71                | 8.5 8.5   |
| Norish                  | Trns     | 1.03            | 0.964               | 1.0 1.0   |
| Park Estates            | AMs      | 0.19            | 0.178               | 3.25 3.0  |
| Parkwood                | SpdV     | 0.325           | 0.538               | 0.6 0.6   |
| Parco                   | AMs      | 10.2            | 8.1                 | 3.0 2.6   |
| Pennine Ark VCT         | Ins      | 140.07          | 112.71              | -         |
| Perkins Foods           | QESp     | 44.4            | 44.1                | 1.8 1.8   |
| Persimmon               | Com      | 26.1            | 23.3                | 3.3 3.2   |
| Piat Tech               | AMs      | 0.200           | 0.077               | -         |
| Pittards                | HSGT     | 0.718           | 2.1                 | 1.0 1.0   |
| Plant & General         | PP&P     | 1.8             | 0.88                | -         |
| Prasbury                | AMs      | 0.533           | 0.112               | -         |
| Pason                   | QESp     | 4.11            | 4.05                | 0.8 0.7   |
| Q                       | AMs      | 0.503           | 0.244               | -         |
| Regal Hotels            | LHs      | 7.44            | 4.41                | 0.48 0.4  |
| Richardson's Wigwam</td |          |                 |                     |           |

## FT WEEKEND

**I**t is widely known that when heavyweight boxer Mike Tyson was put behind bars he took up the study of Descartes, Plato and other giants of western philosophy.

It is less widely known that some students of Plato and Descartes would give anything for Mike Tyson's supremely pugilistic brain.

Since 1887, young gentlemen of the Cambridge University Boxing Club have been struggling to overcome a philosophical problem of essential concern, as it happens, to both Plato and Descartes. The body can be trained as hard as you like. But where does the soul fit amid the sit-ups? How do you conjure that metaphysical winning edge - the passion of sheer belligerence?

All boxers share the language of toil. We do the running road work, the hammering of stiffed horsehair (bag work), and that dance of death whereby the clever fighter never gets hit

(footwork). We skip and sweat in Capuchin-style tracksuits, we strip up ropes. We renounce sex. But when we Cambridge chaps start sparring among ourselves, it is always the same story. A punch connects; Rupert puts Nigel on the deck. Rupert's immediate instinct: extend a helping hand. Rupert's immediate words: "I say. Are you all right?"

Hey. Like they say. You can take a man out of public school, but you can't take the public school out of a man. This year it has been different. This year we have had Hakim.

Hakim. Nocturnal occupation I call bouncer, he refers to as

security consultant. In the recent past, he has been a British light heavyweight champion. Now he has hung up his gloves for the cause of study and religion. His subject is electrical engineering, but he is also going for New Testament Greek in his spare time.

I maintain there is nothing in the Bible that prohibits boxing. "No, man. You're wrong there. I just know God don't like boxing, man. I'm gonna find the chapter and verse for you, man."

Anyway, Hakim agrees there is no divine injunction against a little sparring now and then. So he comes down to help us out. He puts on gloves but no helmet

or mouthguard; in fact, he does not care to get out of his blue suit and town shoes. He bows and crouches and raises his eyebrows and just when a punch seems to be planted on him he evaporates. Your arm meets either: Hakim pops up and connects with the smart smack of leather on flesh.

Down you go. "You're not listening, man. Told you that guard stays up, man, like your life depends on it. Cause it could be your life, man. Now I'm being gentle but that's not real, man."

So what is real? The local boys, for a start. So we go down to their gym one night. They're town and we're gonna and the

history of exchanging bloody noses between the respective factions goes back to the early Middle Ages.

I step up to the ring. A gleam in the eye of the leaky lad standing in the opposite corner. He waited on me at some college banquet, or tugged a forelock when I strolled past his herbaceous border yesterday?

The old problem arises. Body says whirl arms and score points by damaging this lad's leaky corporeal substance. Mind harbours zero reason for wanting him hurt. So I spend the first round in continuous retreat, round or take the odd ineffectual jab and poke.

Hakim leaps up at the bell. "Man. What is this? Where's your soul, man?"

"Floating, old chap. Quite out of it."

"Listen, man. You gotta go out there." Hakim pauses and frowns thoughtfully. Then hisses "You got daughters, right? Okay. There's one in your corner and that guy is going for her. Think it, man. Do something about it."

"Whoosh. Adrenalin invasion. Ding-ding and it is ding-dong. This vile scullion, this wretched undergardener-turned-ragist, is in for one hell of a hiding. The enraged father whisks arms in a sudden blind fury. Cartesian co-

ordinates go flying all round the ring.

Alas. What happened to clear, open-eyed fury - Mike Tyson's unnerving disposition? Last sound registered is Hakim's voice crying "Yo" before clang, then skid, then dump.

No reassuringly plummy tones of solicitude, but a weaselly face leering down, eager to rain more blows. A hot, wet sensation spreading over me and the canvas a generous nasal fountain has opened. As usual - among amateurs - such a scat

let cascade marks the end of a contest.

"I was proud of you, man," says Hakim. "For 10 seconds there you had him on the back foot, man. The whole two minutes gotta be like that, man. Giving it soul."

I think. Therefore I exist. For 10 seconds, it seems, I conquered the problem of mind-body dualism. I only wish it had not cost me the bones in my nose.

## Metropolis

## A close shave with the local culture

The best way to see the country, says Christian Tyler, is from the barber's chair

**T**he door to the Perqueria Yez-que was propped open to let in the breeze, for the temperature outside was beginning its daily ascent to the high 90s. Inside, four barbers' chairs contemplated a mirror of dazzling clarity which ran the length of the parlour wall.

"Buen dia," the parlour chorused as a customer entered. "Buen dia," said the customer. He was nodded into a vacant chair. To his left, barber No.1 was fussing over the pate of an old fellow whose hooded eyes and face of carved stone gave him the air of a man asleep, or dead.

There was a cheep from the corner, where a baby sparrow sat on a table under the window. Barber No.3, who was waiting for a customer, was amusing himself trying to get the bird to hop to his finger. Instead, it fluttered across the room and crash-landed in an open drawer of implements. The four barbers laughed, and No.1 made sucking noises in a pretended effort to entice it out.

"Aléman," asked No.2, from behind the chair.

"No, inglés."

"Ah, inglés! My niece has a friend who is studying English."

"Really?" said the customer, attempting to convey amazement at the coincidence. The sparrow cheeped again from the drawer, and a small fish of came drifting down the street from the crowded market nearby.

Nothing conveys the atmosphere of a strange city better than a trip to the barbershop.

Safely tucked behind a white mandarin with only his foreign skull protruding, the visitor is picking up valuable snippets of local culture even as the scissors fly around his scalp. Apparently occupied and apparently inert, he is all eyes and ears. Better still, he is safe from criticism. To a barber, it's all the same whether you speak the language badly, or not at all.

Barbers comprise a worldwide brotherhood whose etiquette and rituals seem hardly to vary. From Huévala to Huéhuet, they welcome the stranger and make him feel natural, normal, a fellow member of the human race.

Indeed, it was in downtown Huéhuet, capital of Chinese Mongolia, that I became most aware of the precious reference provided by the barbershop. In those days, aside from the occasional German or Japanese engineer, Huéhuet saw few foreigners. The stores of the citizens - hatted, curious and hostile - were very tiresome and very tiring.

But once the foreign object had bowed its head and stepped inside the pokey little barbershop, once the specimen had been captured for inspection, as it were, and was ignored. Three winks at Two, who winked at me. Picasso was released. Old Sad Eyes was released. I handed over 1,400 pesetas and was released also. "Buen dia." The bird peeped and I squeezed past the youth into the sunshine.

"hotel barber" muttered sympathetically when his western customer, grey-faced and trembling despite the pint of yoghurt he had downed for breakfast, crawled into the chair for a shave.

A barber in Kuwait provided a useful briefing on employment patterns in the Gulf states. Banchis mended the roads, he explained, Sri Lankans and Filipinos swept the floors and made the beds (when they weren't forced to sleep in them), Palestinians ran everything and the Arabs did... well, nothing.

Then there was the Demon Barber of Bochorun, the man with the fastest scissors in Turkey...

My reverie was interrupted. Barber No.1, a short, balding man with black hair and a histrionic manner, had released Stone Face from his chair and was stamping about the parlour. "Seven hundred thousand pesetas!" he was shouting. "For one ticket!"

He came and stood before me. "You understand?"

"No," I said.

"France! Seven hundred thousand pesetas! One ticket!"

"Football," explained No.2 from

A barber in Kuwait provided a useful briefing on employment patterns in the Gulf states

behind me. I twigged. He was talking about the World Cup final.

"That's er, £2,800," I said. "A lot of money." No.3 grinned delightedly and returned to his chair.

In this barbershop quartet, he was plainly the soloist. He provided the running recitative in a voice raw with overuse and in an accent more Arab than Spanish. His colleagues supplied the humming chorus occasionally taking up the theme or interjecting with cries of "Hombre!". Gradually, No.1's expostulations petered out and he fell to clipping the grey fluff from the head of his next customer, an old man with doleful eyes and an upside-down mouth like a Muppet.

Silence fell. No.1's outrage was now merely a tremor in the air. Two was intently shaving loose ends from my scalp with a cut-throat razor. Three was bent low over a very bald person, Picasso's double, tactfully tweaking the odd whisk. Four was resting.

At this moment, a mentally handicapped youth came by and plonked himself on the front step. Three told him to move, and was ignored. Three winked at Two, who winked at me. Picasso was released. Old Sad Eyes was released. I handed over 1,400 pesetas and was released also. "Buen dia." The bird peeped and I squeezed past the youth into the sunshine.

Chess No 1267: 5 Qd2 Nf3? 6 Nf3

## Arcadia

## Mr Badger on the block

A TB time-bomb threatens cattle, say farmers. Kieran Cooke asks what is to blame

**M**r Badger sat in the old chair, a dressing gown wrapped snugly round his bulging tummy. Dense clouds of smoke erupted from his pipe. Badger's kindly, wise brow was deeply furrowed.

"The trouble is no one seems to know what to do," he told Ratty and Mole. "We are dying of tuberculosis. Farmers are getting more and more angry at their cows catch the disease. We poor, cuddly, lovely badgers - are accused of being responsible."

"The government potters about, ordering report after report. It really is the most frightful mess."

With apologies to Wind in the Willows by Kenneth Grahame.

**F**orget TB. According to Britain's farming community, a far worse disaster is about to strike. Bovine tuberculosis (TB) is on the rampage again, threatening the country's 120,000 cattle herds and pushing an already beleaguered agricultural sector over the brink.

Farming bankruptcies are increasing and suicide rates among farmers are on the rise. One argument has it that the badger, that wise, paternal creature beloved of generations of children, is to blame.

Keith James farms 1,000 acres near Leominster in Herefordshire. Grain ripens under a soft sun. The wind blows gently in from the Welsh hills. Pheasants run helter-skelter down the driveway. Rabbits skip into the copse. There are acres of vines and producing some of Britain's best white wine.

Behind this rural idyll a crisis is unfolding. In early 1995, TB was detected among James's 700 cattle. For more than two years his farm was, in effect, closed down. Eventually, his cows were given the all-clear.

James recently received another notice from the Ministry of Agriculture, Fisheries and Food (MAFF) warning of a possible further outbreak on his farm.

"The consequences are devastating. I cannot move stock off the land, which results in overcrowding and stress for the animals. Compensation is inadequate: over the time we were shut down with TB, we lost between £120,000 and £150,000," he said.

"We all know the badger is to blame. Many farmers are facing ruin. BSE is nothing compared with this. TB is a time-bomb ready to explode throughout the country."

At the end of the second world war bovine TB was endemic in the British cattle herd. A progressive slaughtering programme was undertaken and by the 1960s, the disease - extremely painful and ultimately deadly for animals, though described as being of negligible risk to humans - was confined to one small area in the south-west of England, near Dartmoor.

Badgers have long been known to have a high incidence of TB. The farming lobby says there is a direct correlation between renewed outbreaks of the disease, creeping out of the south-west of England into the West Midlands and beyond - and the growth in badger numbers.

The People's Trust for Endangered Species calculates that between 1988 and last year there was a 77 per cent increase in the badger population, with particularly strong growth in the West Midlands.

Britain's badger lobbyists, well-organised and armed with science and statistics, say that although bovine TB is a serious problem, there is no conclusive proof badgers are to blame for

the spread of the disease. The badger groups - there are more than 80 of them - say there is growing evidence of badgers being illegally slaughtered. Farmers who indulge in such activities should be sent to jail, they say.

A growing body of environmental legislation has been introduced to ensure the badger's survival. There are tough penalties on cruel practices such as badger baiting. The gassing or snaring of badgers is outlawed. Any interference with a badger sett, whether in a wood or the middle of a town garden, is against the law.

The more this nocturnal creature with the shuffling gait and stripey snout has been studied, the more it has captured the public imagination. Badgers are one of nature's great diggers, the tunnels in one sett totalled more than 300 metres, out of which 25 tonnes of earth had been burrowed.

Under old regulations, MAFF officials could carry out a limited cull of badgers on an infected farm. When TB was discovered on James's Herefordshire farm, MAFF experts moved in to trap badgers. James says 95 per cent of those caught had TB.

When the Labour party came to office a moratorium was imposed on badger culling in any newly infected TB areas. Compensation is given to farmers pending the outcome of the latest in a long series of official reports into the problem.

The National Farmers Union says the result has been a dramatic rise in the incidence of TB. It claims that in the south-west of England there was a 45 per cent rise in confirmed TB outbreaks in the first four months of this year. Growing numbers of farms in the West Midlands are facing restrictions on cattle movement.

"We can't just turn our backs on the TB issue and hope it will go away."

James says the proposed experiment is a political fudge. He believes the government is once again appeasing a mainly urban lobby group which thinks it knows what's best for the countryside.

"During the five years of the experiment, bovine TB will keep on spreading. Increasing numbers of badgers as well as cattle are going to die. For farmers the outlook is very bleak. Bank managers are not keen to lend to infected farms and who wants to buy land with the stigma of TB over it? The whole thing is mad. Completely and utterly bonkers."

Perhaps, on that last point at least, wise old Mr Badger would agree. "Perhaps, on that last point at least, wise old Mr Badger would agree."

the

## PICTURE

the

Computacenter

TRACKER

Congratulations to all these companies which recently joined the 2,657 companies already listed on the London Stock Exchange. In doing so they raised over £444 million to help finance their future. To find out more about the London Stock Exchange, call our information service on 0171 797 1372 quoting IFT/0998A.

[www.londonstockex.co.uk](http://www.londonstockex.co.uk) London Stock Exchange, Old Broad Street, London EC2N 1HP Fax: 0171 410 6861

London STOCK EXCHANGE



JOHN MILLS